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Kosovo's consequences were just the opposite of what NATO intended: suffering Kosovar civilians, regional instability, and a fuming Russia and China.

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No, it is not a silly question—merely one that is not asked often enough. Odd as it may seem, the country that is home to a fifth of humankind is consistently overrated as an economy, a world power, and a source of ideas. Economically, China is a relatively unimportant small market; militarily, it is less a global rival like the Soviet Union than a regional menace like Iraq; and politically, its influence is puny. The Middle Kingdom is a middle power. China matters far less than it and most of the West think, and it is high time the West began treating it as such.

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What to Do With American Primacy *Richard N. Haass* 37

The only certainties in today's world are that geopolitics are becoming more multipolar and that America will not stay on top forever. But the United States can protect its interests by embracing and defining the new multipolarity—rooting it in norms of state behavior rather than just a balance of power. This means fostering international cooperation (so as not to do too little) and developing a set of guidelines for intervention (so as not to do too much). Trading some American power for a more stable international system would be a good deal for America and the world.

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Most people think that Russia's economic problems are due to the shock of fast and radical reforms. Actually, the Russian economy is not very liberalized at all, and its problems have been caused by reforms that were too slow and partial, not too sweeping. Russia suffers not from too free a market but from corruption, which thrives by preying on an unwieldy bureaucracy. Still, the outlook for the months ahead is promising. If Poland could do it, why can't Russia? The private sector got a salutary wake-up call from the 1998 collapse of the ruble, and the strength of the political center bodes well for economic recovery and social change.

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Only Nixon could go to China, but even the architect of America's opening to the world's most populous communist power had to leave full normalization of U.S.-Chinese ties to his heirs. Jimmy Carter knew when he took office that he would take the final difficult step. But no one imagined that the China breakthrough would come as a result of all-out civil war between Secretary of State Cyrus Vance and National Security Adviser Zbigniew Brzezinski, whose competition reached startling depths. At every turn down a very long road, momentous decisions on Taiwan and Cold War strategy jostled with bitter personal rivalries.

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Comments

CORBIS - BETTMANN

NATO peacekeeper takes aim in Priština, Kosovo, June 14, 1999

NATO's Yugoslav war was a conflict marked by military success and political failure.

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A Perfect Failure

NATO's War Against Yugoslavia

Michael Mandelbaum

On the night of May 7, 1999—the 45th day of NATO's air campaign against Yugoslavia—bombs struck the Chinese embassy in downtown Belgrade, crushing the building and killing three Chinese who were said to be journalists. An investigation revealed that American intelligence had misidentified the structure as the headquarters of the Yugoslav Bureau of Federal Supply and Procurement. On that basis, NATO planners had put it on the list of approved targets and, guided by satellite, an American B-2 bomber destroyed it.

The attack on the embassy was therefore a mistake. It was not, however, an aberration. It symbolized NATO's Yugoslav war, a conflict marked by military success and political failure. The alliance's air forces carried out their missions with dispatch; the assault forced the Serb military's withdrawal from the southern Yugoslav province of Kosovo. The wider political consequences of the war, however, were the opposite of what NATO's political leaders intended.

Every war has unanticipated consequences, but in this case virtually all the major political effects were unplanned, unanticipated, and unwelcome. The war itself was the unintended consequence of a gross error in political judgment. Having begun it, Western political leaders declared that they were fighting for the sake of the people of the Balkans, who nevertheless emerged from the war considerably worse off than they had been before. The alliance also fought to establish a new principle governing the use of force in the post–Cold War world. But the war set precedents that it would be neither feasible nor desirable to follow. Finally, like all wars, this one affected the national interests of the countries that waged it. The effects were negative: relations with two large, important, and troublesome formerly communist countries, Russia and China, were set back by the military operations in the Balkans.

PAVED WITH GOOD INTENTIONS

At the outset of the bombing campaign, the Clinton administration said that it was acting to save lives. Before NATO

MICHAEL MANDELBAUM is the Whitney H. Shepardson Fellow of the Council on Foreign Relations for 1999–2000.

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intervened on March 24, approximately 2,500 people had died in Kosovo's civil war between the Serb authorities and the ethnic Albanian insurgents of the Kosovo Liberation Army (KLA). During the 11 weeks of bombardment, an estimated 10,000 people died violently in the province, most of them Albanian civilians murdered by Serbs.

An equally important NATO goal was to prevent the forced displacement of the Kosovar Albanians. At the outset of the bombing, 230,000 were estimated to have left their homes. By its end, 1.4 million were displaced. Of these, 860,000 were outside Kosovo, with the vast majority in hastily constructed camps in Albania and Macedonia.

The alliance also went to war, by its own account, to protect the precarious political stability of the countries of the Balkans. The result, however, was precisely the opposite: the war made all of them less stable. Albania was flooded with refugees with whom it had no means of coping. In Macedonia, the fragile political balance between Slavs and indigenous Albanians was threatened by the influx of ethnic Albanians from Kosovo. The combination of the Serb rampage on the ground and NATO attacks from the air reduced large parts of Kosovo to rubble. In Serbia proper the NATO air campaign destroyed much of the infrastructure on which economic life depended.

Had this been a war fought for national interests, and had the eviction of Serb forces from Kosovo been an important interest of NATO's member countries, the war could be deemed a success, although a regrettably costly one. But NATO waged the war not for its interests but on behalf of its values. The supreme goal was the well-being of the Albanian Kosovars. By this standard, although the worst outcome—the permanent exile of the Albanians from Kosovo—was avoided, the war was not successful.

THE FATAL MISCALCULATION

According to the Clinton administration, the harm to the people of the Balkans was inevitable and entirely the fault of Serbia. Yugoslav President Slobodan Milošević, the administration said, had long planned to evict all Albanians from Kosovo—where they had come to outnumber Serbs by almost ten to one—in order to ensure perpetual Serb control of the province. NATO could not honorably stand by while Milošević carried out his scheme of "ethnic cleansing" and thus had no choice but to respond as it did—with a 78-day bombing campaign.

Precisely when Belgrade decided on the tactics it employed in Kosovo after the bombing began, and indeed just what it decided—whether the displacement of almost 1.5 million Albanians was its original aim, simply a byproduct of a sweeping assault on the KLA, or a response to NATO's air campaign—are questions that cannot be seriously addressed without access to such records as the Milošević regime may have kept. To be sure, the practice of ethnic cleansing was scarcely unknown to the regime; indeed, it has been an all-too-familiar feature of twentieth-century Balkan history. And whatever their motives, those who killed and put to flight Albanians, and those with authority over the killers and ethnic cleansers bear personal responsibility for the epidemic of crimes in Kosovo.

But there are reasons for skepticism about the Clinton administration's assertion that Milošević's spring offensive against

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the Kosovar Albanians, like Hitler's war against the Jews, was long intended and carefully planned. Milošević had, after all, controlled the province for ten years without attempting anything approaching what happened in 1999. In October 1998, Serb forces launched an offensive against the KLA that drove 400,000 people from their homes. A cease-fire was arranged, and a great many returned. A team of unarmed monitors from the Organization for Security and Cooperation in Europe (OSCE) was dispatched to the province to give the Albanians a measure of protection. At the outset of 1999, the cease-fire broke down, violated by both sides. Although a concerted effort to reinforce the cease-fire and strengthen the international observers could not have ended the violence altogether, it might have limited the assaults on noncombatants and averted the disaster that Kosovo suffered. Containing the fighting could have bought time for what was necessary for a peaceful resolution of the conflict: a change of leadership in Belgrade. Removing Milošević from office was by no means an impossible proposition. He was not popular with Serbs (the subsequent NATO assault temporarily *increased* his popularity), he did not exercise anything resembling totalitarian control over Serbia, and prolonged demonstrations in 1996–97 had almost toppled him.

But NATO chose a different course. Led by Secretary of State Madeleine K. Albright, it summoned the Serbs and the KLA to the French chateau of Rambouillet, presented them with a detailed plan for political autonomy in Kosovo under NATO auspices, demanded that both agree to it, and threatened military reprisals if either refused. Both did refuse. The Americans thereupon negotiated with the KLA, acquired its assent to the Rambouillet plan, and, when the Serbs persisted in their refusal, waited for the withdrawal of the OSCE monitors and then began to bomb.

Albright later said that "before resorting to force, NATO went the extra mile to find a peaceful resolution," but the terms on which the bombing ended cast doubt on her assertion: they included important departures from Rambouillet that amount to concessions to the Serbs. The United Nations received ultimate authority for Kosovo, giving Russia, a country friendly to the Serbs, the power of veto. The Rambouillet document had called for a referendum after three years to decide Kosovo's ultimate status, which would certainly have produced a large majority for independence; the terms on which the war ended made no mention of a referendum. And whereas Rambouillet gave NATO forces unimpeded access to all of Yugoslavia, including Serbia, the June settlement allowed the alliance free rein only in Kosovo.

Whether such modifications, if offered before the bombing began and combined with a more robust OSCE presence in Kosovo, could have avoided what followed can never be known. What is clear is that NATO's leaders believed that concessions were unnecessary because a few exemplary salvos would quickly bring the Serbs to heel. "I think this is . . . achievable within a relatively short period of time," Albright said when the bombing began. She and her colleagues were said to consider Milošević a Balkan "schoolyard bully" who would back down when challenged. Apparently the customs in Serbian schoolyards differ from those in the institutions where the senior officials of the Clinton administration were educated, for he did

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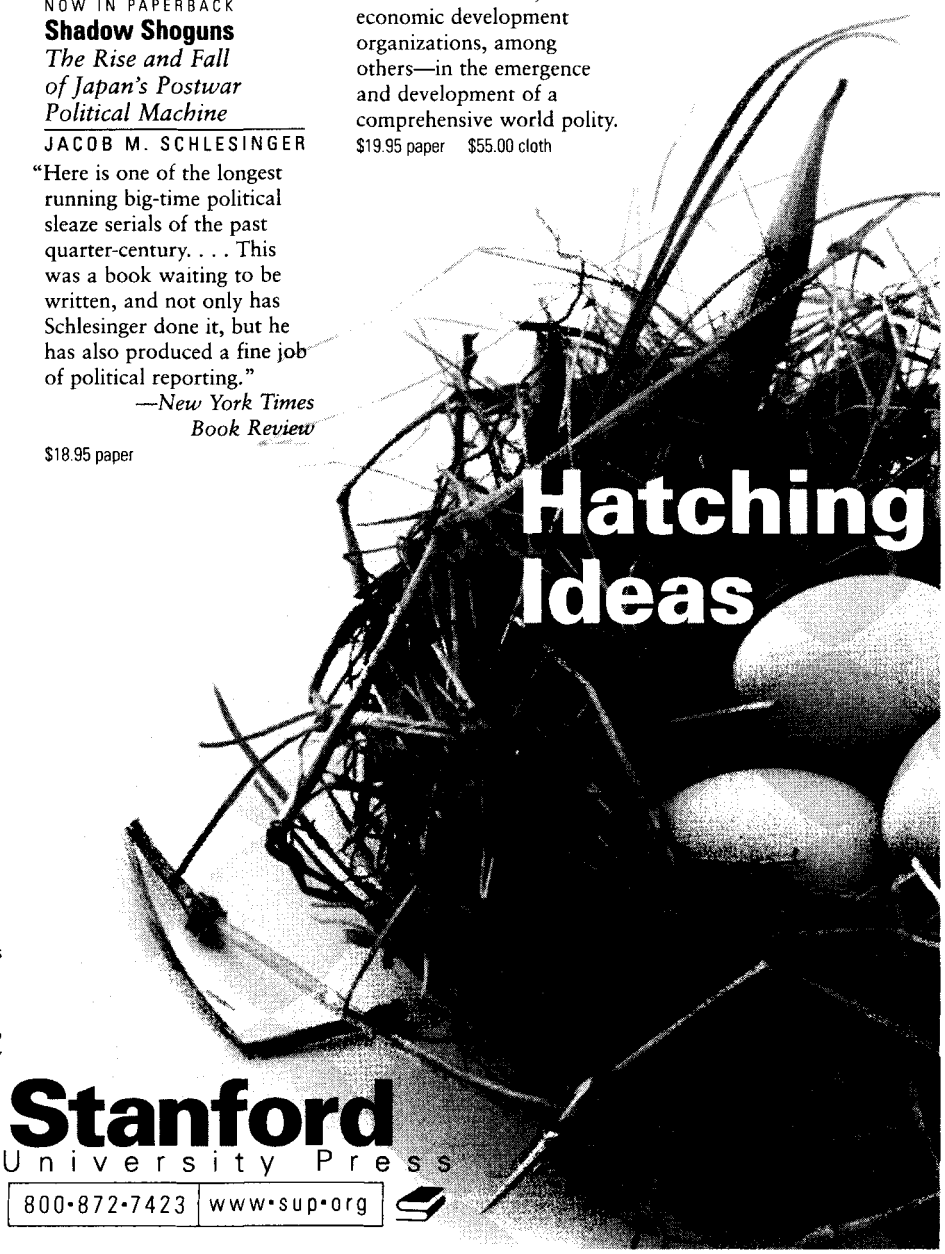

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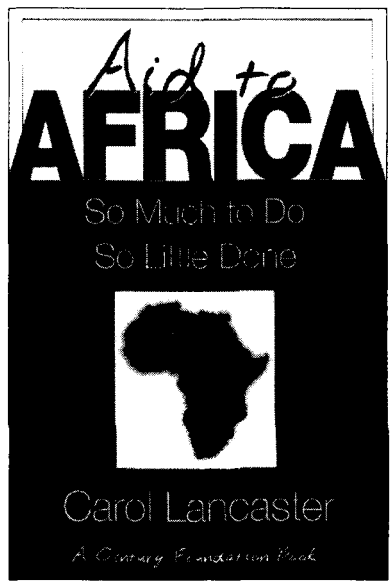

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not back down. NATO thus began its war on the basis of a miscalculation. It was a miscalculation that exacted a high price. The people of the Balkans paid it.

Yet when the war ended, the political question at its heart remained unsettled. That question concerned the proper principle for determining sovereignty. The Albanians had fought for independence based on the right to national self-determination. The Serbs had fought to keep Kosovo part of Yugoslavia in the name of the inviolability of existing borders. While insisting that Kosovo be granted autonomy, NATO asserted that it must remain part of Yugoslavia. The alliance had therefore intervened in a civil war and defeated one side, but embraced the position of the party it had defeated on the issue over which the war had been fought.

This made the war, as a deliberate act of policy, a perfect failure. The humanitarian goal NATO sought—the prevention of suffering—was not achieved by the bombing; the political goal the air campaign made possible and the Albanian Kosovars favored—independence—NATO not only did not seek but actively opposed.

Moreover, the Albanian Kosovars were unlikely to accept any continuing connection to Belgrade, in which case NATO would face an awkward choice. An effort to grant independence to Kosovo would encounter opposition from Russia and China, which, as permanent members of the U.N. Security Council, would be able to block it. Denying independence, however, would risk putting the NATO troops in Kosovo at odds with the KLA and repeating the unhappy experiences of the British army in Northern Ireland since the early 1970s and the American troops in Lebanon in 1982–83, both of which arrived as peacekeepers but eventually found themselves the targets of local forces.

THE CLINTON DOCTRINE

Besides protecting the Albanian Kosovars, NATO aspired to establish, with its Yugoslav war, a new doctrine governing military operations in the post–Cold War era. This putative doctrine of "humanitarian intervention" had two parts: the use of force on behalf of universal values instead of the narrower national interests for which sovereign states have traditionally fought; and, in defense of these values, military intervention in the internal affairs of sovereign states rather than mere opposition to cross-border aggression, as in the Gulf War of 1991.

The first of these precepts contained a contradiction. Because no national interest was at stake, the degree of public support the war could command in NATO's member countries was severely limited. Recognizing this, the alliance's political leaders decreed that the war be conducted without risk to their military personnel. Its military operations were thus confined to bombardment from high altitudes. But this meant that NATO never even attempted what was announced to be the purpose of going to war in the first place: the protection of the Kosovar Albanians.

As for the second tenet of "humanitarian intervention," it is, by the established standards of proper international conduct, illegal. The basic precept of international law is the prohibition against interference in the internal affairs of other sovereign states. Without this rule there would be no basis for international order of any kind. But if the rule is inviolable, rulers can mistreat people in any way they like as long as the mistreatment takes place

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within legally recognized borders. Thus, in recent years international practice has begun to permit exceptions, but only under two conditions, neither of which was present in NATO's war against Yugoslavia.

One condition is a gross violation of human rights. The Serb treatment of Albanians in Kosovo before the NATO bombing was hardly exemplary, but measured by the worst of all human rights violations—murder—neither was it exceptionally bad. Far fewer people had died as a result of fighting in Kosovo before the bombing started than had been killed in civil strife in Sierra Leone, Sudan, or Rwanda—African countries in which NATO showed no interest in intervening. Thus NATO's war did nothing to establish a viable standard for deciding when humanitarian intervention may be undertaken. Instead, it left the unfortunate impression that, in the eyes of the West, an assault terrible enough to justify military intervention is the kind of thing that happens in Europe but not in Africa.

A second condition for violating the normal proscription against intervening in the internal affairs of a sovereign state is authorization by a legitimate authority. This means the United Nations, which, for all its shortcomings, is the closest thing the world has to a global parliament. But NATO acted without U.N. authorization, implying either that the Atlantic alliance can disregard international law when it chooses—a precept unacceptable to nonmembers of the alliance—or that any regional grouping may do so (giving, for example, the Russian-dominated Commonwealth of Independent States the right to intervene in Ukraine if it believes ethnic Russians there are being mistreated)—which is unacceptable to NATO.

Nor did the way the war was fought set a useful precedent. The basic procedure for the conduct of a "just war" is to spare noncombatants. NATO was scrupulous about trying to avoid direct attacks on civilians. But by striking infrastructure in Serbia, including electrical grids and water facilities, the alliance did considerable indirect damage to the civilian population there. Besides harming those whom NATO's political leaders had proclaimed innocent of the crimes committed in Kosovo—for which they blamed Milošević, not the Serb people—these strikes violated Article 14 of the 1977 Protocol to the 1949 Geneva Convention, which bars attacks on "objects indispensable to the survival of the civilian population."

The bombing of Serbia, moreover, continued an ugly pattern that the Clinton administration had followed in Haiti and Iraq, a pattern born of a combination of objection to particular leaders and reluctance to risk American casualties. As with Milošević, the administration had opposed the policies of the military junta that had seized power in Haiti and of Saddam Hussein in Iraq. As in the case of Yugoslavia, invading those two countries to remove the offending leadership was militarily feasible but politically unattractive for the Clinton administration. In all three countries, the administration therefore took steps short of invasion that inflicted suffering on the civilian population—the crushing embargoes of Haiti and Iraq were the equivalents of the bombing of the Serb infrastructure—without (until October 1994 in Haiti, and to the present in Iraq) removing the leaders from power. If there is a Clinton Doctrine—an innovation by the present administration in the conduct of foreign

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policy—it is this: punishing the innocent in order to express indignation at the guilty.

STRATEGIC DAMAGE

Although ostensibly waged on behalf of NATO's values, the war also affected two of its most important interests: relations with China and Russia. Its effect was to worsen relations with the only two countries in the world that aim nuclear weapons at the United States.

The Chinese leaders professed to be unconvinced by the American explanation for the accidental attack on their embassy. Whatever they thought, the attack was a political windfall for their regime. It deflected attention from the tenth anniversary of the bloody crackdown on the student rallies in Beijing and other cities and channeled against the United States popular sentiment that might otherwise have been directed toward the perpetrators of oppression. It was thus a double setback for American China policy: it strengthened the elements in the Chinese government least favored by Washington, and it stirred anti-American sentiment in some sectors of the Chinese population.

As for Russia, the war accelerated the deterioration in its relations with the West that the ill-advised decision to extend NATO membership to Poland, Hungary, and the Czech Republic had set in motion. In return for permitting a reunited Germany within NATO, Mikhail Gorbachev was promised that the Western military alliance would not expand further eastward. The Clinton administration broke that promise but offered three compensating assurances: that NATO was transforming itself into a largely political organization for the promotion of democracy and free markets; that insofar as NATO retained a military mission, it was strictly a defensive one; and that Russia, although not a NATO member, would be a full participant in European security affairs. The war in Yugoslavia gave the lie to all three: NATO initiated a war against a sovereign state that had attacked none of its members, a war to which Russia objected but that Moscow could not prevent.

Whereas NATO expansion had angered the Russian political class, the bombing of Serbia by all accounts triggered widespread outrage in the Russian public. Thus the sudden postwar occupation of the airport at Priština, the capital of Kosovo, by 200 Russian troops evoked enthusiastic approval in Russia and signaled a shift in the politics of Russian foreign policy in a nationalist direction.

Moscow sought to secure a separate Russian zone of occupation in postwar Kosovo; NATO refused. Russia could not reinforce its position at the airport (and in any case depended on the NATO governments for economic assistance), so it accepted something less: a presence within the American, French, and German zones. The war therefore had the same consequence for Kosovo that NATO expansion had for Europe as a whole: the stability of the military arrangements in both places came to depend less on Russian consent than on Russian weakness.

THE ALBRIGHT LEGACY

The United States dominated the prewar diplomacy and the air campaign, and the war was thus a monument to the efforts of the two officials with the greatest influence on American policy toward the Balkans.

The lesser of the two was President Clinton. He assumed the role of commander in chief with reluctance. Asked

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at an April 23 press conference with NATO Secretary-General Javier Solana during NATO's 50th anniversary celebration whether the alliance would consider inserting ground troops into Kosovo, Clinton deferred to Solana, as if it were the Spanish official and not he who had the power and responsibility to make that decision.

The official most closely identified with the war was Albright. When it ended, she spoke to troops in Macedonia preparing to enter Kosovo as peacekeepers. "This is what America is good at," she said, "helping people." The help the Albanian Kosovars needed was with rebuilding their homes and their lives. Here, the Clinton administration's track record was not encouraging: it had promised order in Somalia and left chaos. It had gone to Haiti to restore democracy and had left anarchy. It had bombed in Bosnia for the sake of national unity but presided over a de facto partition. But since Clinton had made clear that little money for recovery would come from the United States, the Kosovars' prospects depended on whether, at the end of the twentieth century, "helping people" was what *Europe* had come to be good at.

Albright was on firmer ground with another assertion. Kosovo, she said, was "simply the most important thing we have done in the world." This proved accurate, in no small part due to her efforts. And unlike the other political consequences of NATO's Yugoslav war, it was, for her, entirely intentional. In an administration increasingly preoccupied with its legacy, she had thereby produced one for herself. Focusing the vast strength of American foreign policy on a tiny former Ottoman possession of no strategic importance or economic value, with which the United States had no ties of history, geography, or sentiment, is something that not even the most powerful and visionary of her predecessors—not Thomas Jefferson or John Quincy Adams, not Charles Evans Hughes or Dean Acheson—could ever have imagined, let alone achieved. But as American bombs fell on Yugoslavia, Madeleine Albright had done both.

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Bewitched, Bothered, and Bewildered

Repairing the Security Council

Richard Butler

For the first half of the decade since the Cold War's end, the atmosphere in the U.N. Security Council was decidedly improved. With less East-West divisiveness, the council met more frequently and did more business. Only seven vetoes were cast in the post–Cold War period, versus 240 in the first 45 years of U.N. life. Twenty peacekeeping operations were mandated, more than the total for all the preceding years.

But then the initial optimism about the Security Council's ability to get its job done in a vetoless world turned sour. Particularly dismaying were the last 12 months, during which the council was bypassed, defied, and abused.

It was bypassed when NATO began military action against Slobodan Milošević's Yugoslavia without first seeking the Security Council approval that NATO countries knew would be vetoed by Russia and China. The fundamental significance of NATO's slight was not diminished by the post-conflict agreement of NATO and Russia to seek Security Council endorsement and U.N. participation in the policing and administration of Kosovo.

The Security Council was defied by Saddam Hussein, who correctly assessed that he could get away with disobeying the council's disarmament resolutions thanks to a combination of influential friends on the council, a general loss of will within the body, and a sympathetic secretary-general. During the past eight years, many but not all of Iraq's weapons of mass destruction have been eliminated. Disarmament tasks remain to be completed, however, and monitoring and verification systems need to be secured to ensure that Saddam does not reconstitute his illegal weapons. Yet the Security Council has been unable to reach a decision that

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would restore, even in a modified way, the implementation of its own law. Indeed, some members—including, incredibly, Canada, a nonpermanent member of the council—have sought to lower the standard of Iraqi compliance.

Council procedures have also been abused. China prevented minor peacekeeping operations from proceeding in Guatemala and Macedonia and threatened to do the same in Haiti, merely because those countries had dealt with Taiwan. Although vetoes driven more by national interest than any sense of collective responsibility were common during the Cold War, they have been less so since, with nothing comparable to these Chinese vetoes, delivered and threatened. Such use of the veto is dramatically distant from that envisoned at the 1945 U.N. founding conference or by reasonable people today.

The five major powers were given permanent seats on the council to ensure their commitment to the new body. They were given the veto for a very limited and specific reason: to allow them to prevent a council decision authorizing the use of force against them. Beyond that, they were expected to exercise collective responsibility for "the maintenance of international peace and security."

Yet the Security Council's ability to function as the guardian of international peace and security has been thrown into question by the incidents depicted above. In all these cases, permanent members have weighted their narrow national interests over collective responsibility.

FIXING IT

Clearly, the Security Council is not working adequately. To fix it, two key areas must be addressed urgently. First is the veto, which has been abused by permanent members in defense of interests, client states, and ideological concerns that very often had nothing to do with maintaining international peace and security. Even if it is accepted for argument's sake that the profligate use of the veto during the bitter contest of the Cold War might have forestalled its worst consequence—nuclear holocaust—it is no longer appropriate, much less necessary, to view the veto power in such a context. Today's world is more interdependent and, if threatened, it is by weapons proliferation, not superpower rivalry.

The veto issue is a vexed one. Clearly, the major powers will not give up their veto power voluntarily, and the charter allows them to block any proposal that it be removed. The question thus becomes whether they can voluntarily agree to a more constructive interpretation of the veto's nature and the uses to which it may legitimately be put. Only if they succeed in doing so can the Security Council be rescued from its present breakdown.

It would be best if the proposed rules were informal. They should reinforce the distinction between substantive and procedural issues—and permit vetoes of the former only. Some may point out that this distinction already exists in the U.N. Charter; however, permanent members still have, on innumerable occasions, successfully threatened the veto on procedural issues. Any agreed rules would need to prevent this and take into account threatened vetoes in addition to those that are actually delivered. New rules would also necessarily include other understandings on substantive issues.

Such rules would diminish use of the veto, a move that would cause some

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heartburn in capitals and parliaments. But if the United States, the undisputed lone superpower, indicated a willingness to discipline the use of its veto, it could then ask other permanent members to do the same. Certainly, in the absence of an American concession, nothing will change. But if others will not agree, then nor should the United States.

Such an American initiative would have another advantage: it would temper the growing anxiety within the international community about the unipolar world and the policies of its one superpower. A move by the United States to effectively share authority would speak volumes. Naturally, restraining the use of the veto would complicate the lives of permanent members. Less free to throw their weight around, they would have to argue their cases more cogently. They would have to consider issues in more detail than would perhaps immediately meet their interests, taste, or judgment. But the benefits would be many, including a long overdue revitalization of the Security Council's rigid and tired political environment.

A FAREWELL TO ARMS

Arms control is the second area requiring urgent attention, and forging changes there may prove even harder than achieving a new understanding on the use of the veto. The effect on global security and the Security Council's authority, however, is potentially more far-reaching.

Thirty years ago, the international community began a process of drawing up treaties on the nonproliferation of weapons of mass destruction, starting with nuclear, and then working through biological, chemical, and missile technologies. One of the key questions that inevitably arose under such treaties is who would enforce them, especially in the event of a detected breach. Typically, the answer given—sometimes in writing within a particular treaty, but certainly in political terms—was the Security Council. The Security Council is the custodian of nonproliferation. It has the task of providing confidence to the international community that the tapestry of treaties designed to ensure that weapons of mass destruction do not spread is enforced and kept whole. There is simply no other body that can do this job, and this is widely understood.

But how does the Security Council's decision-making methodology, including the veto, square with its expected obligation to enforce the nonproliferation treaties? For example, will a decision by the council on noncompliance with such a treaty be held hostage by national interests and thus vetoes by permanent members?

A case in point: North Korea clandestinely continues nuclear weapons development in contravention of its obligations under the nuclear Nonproliferation Treaty (NPT). Because of Chinese, and to some extent Russian, interests, the Security Council has responded inadequately, failing a crucial test. Instead, the attempted solution to the problem was agreed on largely outside the council, and is not proving viable.

Iraq represents an even more profound failure. Saddam Hussein has broken all of Iraq's nonproliferation undertakings. He has lied to the United Nations' weapons inspectors. Data indicate that he continues to conceal illegal weapons of mass destruction. Unquestionably, he retains the capacity to make them. These facts are known in the Security Council, including

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by those permanent members who have given Saddam strong support. Russia, Iraq's strongest backer in the council, is fully aware of Iraq's weapon status, not least because the Soviet Union was Saddam's major supplier of arms and the means to manufacture them.

The authority of the council is deeply challenged when objective cases of treaty violation like these end up being judged on a narrow, subjective political basis by veto-wielding permanent members. Were this to become the council's standard way of dealing with weapons proliferation, it would amount to a profound and, I suspect, mortal failure.

No reflection on arms control and the responsibilities of permanent members would be complete without noting the need for them to keep their own promises concerning nuclear disarmament. Among other things, the survival of the NPT is at stake.

Permanent membership in the Security Council and its associated veto power is a privilege, not a right. The continuing legitimate enjoyment of that privilege, as history has shown with respect to similar privileges, rests on its responsible exercise. This requires a thorough revisiting of the nature and uses of the veto, and the Security Council must prove itself able to fulfill the responsibility it has been given to enforce the weapons of mass destruction nonproliferation treaties. Both of these reforms require action, above all, by the permanent members. They would help the Security Council get over its *annus horribilis*, and serve the interests of the international community in the 21st century.

ALLY TO ADVERSARY
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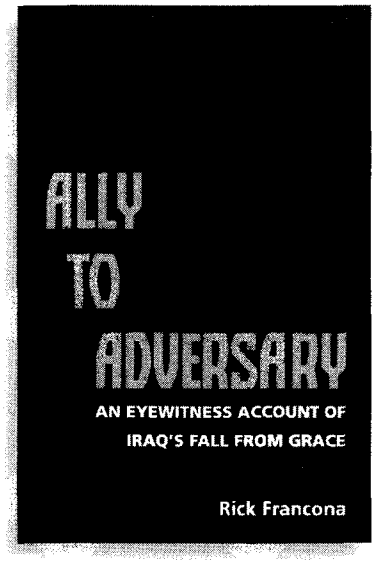
BY RICK FRANCONA



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The Third Way and Liberty

An Authoritarian Streak in Europe's New Center

Ralf Dahrendorf

In many European countries, politicians are trying to go "beyond left and right" to a Third Way. Most of its protagonists have a close relationship to what in Britain is called New Labor, or sometimes, the "Blair project." In fact, the Third Way debate has become the only game in town—the only hint at new directions for Europe's politics in a confused multitude of trends and ideas.

The recent paper signed by British Prime Minister Tony Blair and German Chancellor Gerhard Schröder, entitled *Europe: The Third Way—Die neue Mitte*, begins boldly: "Social democrats are in government in almost all the countries of the Union. Social democracy has found new acceptance—but only because, while retaining its traditional values, it has begun in a credible way to renew its ideas and modernize its programs. It has also found new acceptance because it stands not only for social justice but also for economic dynamism and the unleashing of creativity and innovation."

This document was published a week before the June elections to the European Parliament. Whatever their shortcomings, the European elections undermine Blair and Schröder's assertion that "social democracy has found new acceptance." In 6 of the 15 European Union (EU) countries (Belgium, Denmark, Finland, Ireland, Italy, and the Netherlands), social democratic parties had 20 percent or less of the vote; in two others (France and Luxembourg), they had 22 or 23 percent. In 5 further countries (Germany, Greece, Britain, Austria, and Sweden), the social democratic vote was between 26 and 33 percent. In Spain, 35 percent voted for the democratic Socialists, and in Portugal, 43 percent. In only 4 of these countries were social democrats relatively the strongest party—and this includes France, where the fragmentation of the right allowed Prime Minister Lionel Jospin's Socialists (themselves hardly unified) to have the best showing with just 22 percent.

LORD DAHRENDORF is author of *Reflections on the Revolution in Europe* and *After 1989: Morals, Revolution and Civil Society*. This article is adapted from his address at "Ten Years After 1989," a June 1999 conference in Vienna sponsored by the Institute for Human Sciences in cooperation with Project Syndicate.

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Twenty years ago these parties had twice their current support in Europe. Social democrats are distinctly minority parties in most European countries. Even in Britain, Blair's deceptively large parliamentary majority is based on 43 percent of the popular vote.

The real electoral trend—as underlined by the European elections—is toward nontraditional parties, many of which did not exist 20 years ago. In most European countries their vote adds up to more than the social democratic vote. In truth, voters are confused and uncertain, pulled hither and yon. It is hard to discern any new crystallization of electoral views.

Nevertheless, Blair and Schröder's set of ideas may find widespread support. (It may win as much endorsement outside socialist parties as inside. Blair gets on at least as well with Spain's conservative prime minister, José María Aznar López, as with his French socialist colleague, Jospin.) The key issue confronting all European countries today is how to create sustainable economic improvement in global markets while not sacrificing the basic cohesion of their societies or the institutions that guarantee liberty.

The terminology used in attempts to give this answer is by now familiar. We need market economies with competitive strength, which can be brought about only by loosening constraints and liberating the supply side of economics. We also need societies that include all citizens rather than disenfranchising an underclass. Useful as individual competition is in the economy, it must be tempered by solidarity in social relations.

The Blair-Schröder paper uses a phrase that is misleading, or is perhaps more than a slip of the pen when it says, "We support a market economy, not a market society." What alternative do they prefer? Do they want a command society? Moving in the direction of Singapore would reduce, if not endanger, the third element of the Third Way's program of squaring the circle: that of doing it all "in a free society."

FINDING THE WAY

Anthony Giddens, Great Britain's chief Third Way theorist, places the task of combining wealth creation and social cohesion in several contexts, including the great changes wrought by globalization, the "new dialogue" with science and technology, and the transformation of values and lifestyles. He then identifies six policy areas of the Third Way: a new politics, or "second wave of democratization," from going directly to the people; a new relationship that joins up state, market, and civil society; supply-side policies incorporating social investment, notably in education and infrastructure projects; fundamental reform of the welfare state by creating a new balance of risk and security; a new relationship to the environment evolving out of "ecological modernization"; and a strong commitment to transnational initiatives in a world of "fuzzy sovereignty."

Much can and has been said about each of these policy areas in various books and papers. Overall, the Third Way project has been described as a combination of neoliberal economics and social democratic social policy. That is not entirely fair. In some ways the key feature of this approach is implicit rather than explicit: its optimism. I call this "globalization plus"—accepting the needs of global markets but adding key elements of social well-being. Others describe the underlying approach by

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reference to the word "risk." Ulrich Beck, another protagonist of the Third Way, has shown that risk is an opportunity as well as a threat to security, an invitation to entrepreneurship and initiative as well as a warning of uncertainties. The same could be argued for another favorite word of this approach, "flexibility."

Perhaps this is where the Third Way actually divides social democrats. Old Labor is threatened by risk and sees flexibility as insecurity, so it tries to hold on to the old certainties. New Labor, on the other hand, emphasizes the new opportunities of individual initiative and the ways people can enhance their well-being by coping with new challenges. Here it becomes evident why the reform of the welfare state is the key area in dispute, and why New Labor exists in Britain and Holland but not in many other countries where the parties of the old right lean more toward the *neue Mitte*. The alliance between Blair and Aznar is not so surprising after all.

The positive, future-oriented sense of opportunity makes the Third Way attractive to those who do not feel threatened, including the new "global class" of people who hope to benefit from changed forces of production. Perhaps it also shows that the Third Way is not likely to inspire a mass movement even if it is, in some cases, useful for winning elections. There is something slightly contrived, almost elitist about the concept, which attracts wider attention only if coupled with evangelistic methods of communication. Spin doctors are therefore essential for the Third Way, as is the strangely religious style of Blair and the brilliant presentations of Giddens and Beck. They all manage to deflect criticism, as if wearing oilskin made of a curious mixture of diffidence and dogmatism. Skeptical questions are as often answered by reference to what might or even should be as by pointing to real conditions.

The term "Third Way" shows a curious absence of historical awareness among its protagonists—a shortcoming that characterizes the Clinton-Blair type of leadership in any case. It also shows an unfortunate need to have a unified, or at any rate uniquely labeled, ideology. For many of us, by contrast, the liberation from communism in the revolutions of 1989 means that the time of systems has passed. There are no longer even First, Second, or Third Worlds, only varieties of attempts to cope with economic, social, and political needs—and admittedly, also varieties of success. The Third Way presupposes a more Hegelian view of the world. It forces its adherents to define themselves in relation to others rather than by their own peculiar combination of ideas; more often the others have to be invented, even caricatured for this purpose.

In an open world, there are not just two or three ways but an indefinite number. The question—how to create wealth and social cohesion in free societies—may be the same everywhere, since it results from largely global conditions. The answers, however, are manifold. There are many capitalisms, not just that of the Chicago school of economics; there are many democracies, not just that of Westminster. Diversity is not an optional byproduct of high culture; it is at the very heart of a world that has abandoned the need for closed, encompassing systems. Even Third Way politics is quite varied. Nobody expects Schröder to turn Germany into another Britain. The "Rhenish" model of the

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Third Way will remain quite different from the "Anglo-Saxon" model, and neither will necessarily be a model for others.

In any case, it is not only cynics who have observed that the best definition of the Third Way is whatever Blair actually does. If he supports a directly elected mayor of London, stands against teenage pregnancies, or favors the privatization of railways, this must be the Third Way. Still, the niggling doubt remains why Blair and his friends need to put it all in one basket. Are the unlimited opportunities of the post-1989 world too difficult to live with? Do the Third Way leaders crave a certainty, at least in their minds, that they deny their peoples in their lives? Is everybody supposed to take risks except those at the top?

AUTHORITARIAN TEMPTATIONS

One word almost never appears—and never in a central place—in all these speeches and pamphlets and books about the Third Way: liberty. There is much talk about fraternity, which, indeed, is one of the movement's central themes. Equality is dispensed with as a goal and replaced by social inclusion and, more recently, justice. (I sympathize on both points.) But liberty? No doubt, Third Way protagonists would say that it is assumed and implied throughout. Consequently it makes a brief appearance in the list of "timeless" values in the introduction to the Blair-Schröder paper: ". . . fairness and social justice, liberty and equality of opportunity, solidarity and responsibility to others." But among *timely* values, liberty has no place.

This is no accident. The Third Way is not about either open societies or liberty. There is, indeed, a curious authoritarian streak in it, and not just in practice. When Giddens speaks of a "second wave of democratization," he in fact means deconstructing traditional democratic institutions. Parliaments are outmoded; referenda and focus groups should take their place. Third Way reforms of the welfare state not only involve compulsory savings but, above all, the strict insistence on everyone working, including single mothers and the disabled. Where normal employment—let alone desirable employment—is unavailable, people have to be forced to work by the withdrawal of benefits.

The Blair-Schröder document contains, among other things, the following curious statement: "The state should not row but steer"—it should not provide the wherewithal but determine the direction. It will no longer pay for things but will tell people what to do. Certainly the British experience provides worrying illustrations of what this might mean.

As it stands today, there are too many authoritarian temptations. The internationalization of decisions and activities almost invariably means a loss of democracy. NATO decisions about war and peace, International Monetary Fund judgments about Russia, and even legislation by the EU Council of Ministers are not subject to democratic controls; "private" worldwide financial transactions are even less protected. Decentralization of the state rarely means a gain in democracy and liberty. Especially at the subnational level, it more often empowers militant activists rather than the people and yields to the new nationalism of self-aggrandizing leaders. And at the national level, problems and solutions alike militate against the liberal order. Among the problems, law and order stand out; among the solutions,

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the proliferation of agencies and quangos (quasi-autonomous nongovernmental organizations) that evade civil control. The Singapore model is in fact not very far from Third Way preferences: let those leaders up there deal with things and leave us in peace! Thus the political class becomes an unchallenged nomenklatura because when those who do not conform are silenced, nobody raises his or her voice.

This is not what practitioners of the Third Way are doing, nor are its theorists advocating this. But the curious silence about the fundamental value of a decent life—liberty (and old, very old liberty if you wish)—may involuntarily make this political episode one further element of a dangerous encroachment. When, in establishing the EU Commission on Wealth Creation and Social Cohesion in 1995, I insisted on adding the words "in a free society," I thought of Beveridge's *Full Employment in a Free Society* but also of the Singapore syndrome.

Today, the temptations of leadership and the comforts of public apathy can combine to form a perilous attack on liberty. Therefore, it is more important than even a few years ago to begin a new political project with the insistence on liberty before we turn to social inclusion and cohesion.

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Europe's Next Big Idea

Strategy and Economics Point to a European Military

Richard Medley

European military union is fast becoming the successor to monetary union as *the* next big idea for Europe. The dynamic new European Commission president, Romano Prodi, has declared that establishing a unified European military will define his tenure in office, just as his predecessor, Jacques Delors, made creating a European economic and monetary union (EMU) his hallmark. Building a European military capacity is also the first item on British Prime Minister Tony Blair's "to do" list as he tries to make Britain irreversibly a full European partner. Prodi and Blair's center-left counterparts—Gerhard Schröder of Germany, Lionel Jospin of France, and Massimo D'Alema of Italy—are all on board, for both economic and political reasons. American officials have signaled that they, too, are now comfortable with the European military push, having already signed a general agreement to support a European military union at NATO's 50th anniversary summit this April in Washington.

Within weeks of this gathering, Europe's new leaders followed up with a historic decision at their Cologne summit to create an autonomous defense force with the political and military muscle to fight its own battles. They were goaded by the war in Kosovo, which highlighted in vivid and embarrassing detail Europe's dependence on the U.S. military. Far from fostering internal dissension on the continent, Kosovo actually brought the common foreign and security objectives of the European Union (EU) member states into focus. Honing the West's war machine allowed senior European policymakers to score a series of important victories that had eluded their predecessors for decades.

Structurally and symbolically, the most important decision taken at Cologne was to appoint NATO Secretary-General Javier Solana as the first EU foreign policy representative. Finally there will be someone to answer the phone in Europe when Henry Kissinger calls.

The EU leaders also committed themselves at Cologne to creating a fully operational European military, and their concluding communiqué asserted

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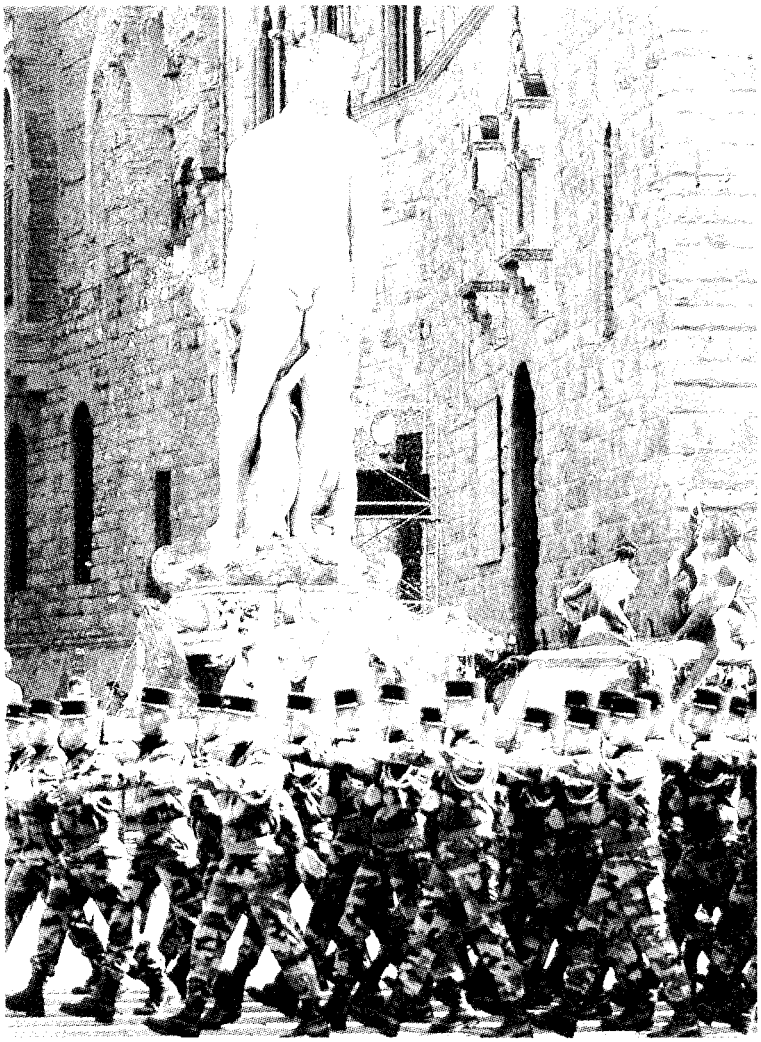

ARCHIVE PHOTOS

Onward, European soldiers: Integrated rapid reaction force, Florence, Italy, 1996

their intention "to take the necessary decisions by the end of the year 2000" to make European military union a reality. Together, these steps provide a solid foundation for translating the EU's financial muscle into geopolitical clout. And the dynamic works both ways: wealth will breed armed might, and might will breed wealth. Ultimately, moving this military venture forward will yield important long-term economic gains for an increasingly unified Europe.

To see why, consider the three goals that European military union achieves that make it irresistible to the new crop of leaders. First, it assures them of the kind of personal historical legacy that European heads of state still crave. With EMU firmly on track, constructing an EU defense pillar would put them at the center of history in a way that tucking in the corners of monetary union never could. Second, military union moves Europe one giant step closer to political parallelism with the United States. This alone is certain to keep the French fully engaged, come what may. Third, building a military union means

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building European-based weapons, aircraft, ships, and satellites—and that means jobs for a job-starved continent. Whereas the United States creates three million jobs per year, Europe has not managed to generate that many new jobs over the past decade. Indeed, these economic benefits will be the glue that holds the push toward military union together for its first few years. Europe desperately needs an excuse for a robust employment program, and a "European" defense initiative is a made-to-order solution. Even the miserly European Central Bank would be reluctant to criticize a defense effort designed to bring the EU onto a more level footing with the United States and improve Europe's economy in the process.

SHOW ME THE MONEY

Blair has already begun pushing other EU leaders to build a substantial new capacity to transport troops, equipment, and weapons. This goal was endorsed at a drumbeat of recent summits, including the NATO celebration in April, the Franco-German summit in May, and the Cologne summit in June. The Cologne communiqué explicitly cites the need to expand EU "intelligence, strategic transport and command and control."

Agreements in principle aside, a great deal of work remains to be done on the force-projection front. Luckily, Europe has plenty of room to spend without bumping into the three percent budget-deficit ceiling enshrined in the Maastricht Treaty, particularly if the French proposal of "averaging" the deficits across Euroland is adopted. By any definition, EU defense spending is far less than that of the United States, and the money is allocated in a way that yields far fewer side benefits—from jobs to investment to follow-on research applications. Larger, more sensibly targeted EU military expenditures would prove a shrewd long-term investment.

Even though the U.S. and EU economies are roughly the same size (around $8 trillion each), the United States spends $290 billion a year on defense, while Europe spends less than $140 billion. Although the historical reasons for this divergence are well known, the effect that Europe's long-term reliance on U.S. defense capabilities has had on continental strategic spending decisions is less obvious. The difference in the U.S. and EU approaches to divvying up their defense budgets is particularly profound. While the United States spends $30 billion per year on advanced research and technology, the EU nations together spend less than $10 billion. And even the relatively paltry sums individual European countries do spend on R&D are largely wasted on projects duplicated elsewhere on the continent, sharply limiting the EU's ability to produce a coherent European military force and destroying any possible side benefits for the union as a whole.

A quick look at the differences between U.S. and European technological and command capabilities during the Kosovo war makes the inadequacy of today's European military glaringly obvious. European forces have no airborne ground-surveillance capacity, no aircraft capable of transporting heavy equipment such as tanks, no long-range cruise missiles, and only one military reconnaissance satellite (which belongs to France, since U.S. officials usually share degraded imagery with Paris). As a result, European forces played a basically insignificant role in the Kosovo air campaign and were largely removed from active engagement after the first few days of bombing.

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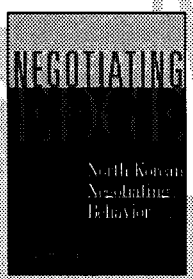

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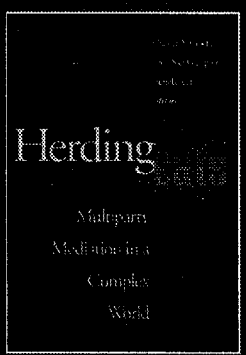

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By moving to close this gap, European leaders can realize important gains that will help both the fledgling European military union and the newly minted euro. As Europe downsizes its standing armies, it can spend much more on procurement and research and much less on personnel, a cost that adds little economic value. Despite severe pressure to cut spending as part of EMU, the EU's leaders understand fully that a more robust European military presence will require both more smartly targeted spending and, perhaps, an increase in overall defense spending. In a *New York Times* op-ed, Blair wrote, "We need to identify the gaps in our capability and plug them. We need to do more to plan our defense together at a European rather than a national level. . . . We need to reconstruct our forces together, and make sure spending on defense matches the need." It is not just the hawkish Blair who supports more spending. German Defense Minister Rudolf Scharping, a stalwart of the Social Democratic Party (SPD), has been fighting pressure to cut his budget and is actively lobbying to spend more on European military transport aircraft. In early July, he told a *Süddeutsche Zeitung* interviewer, "Your question assumes that we pay too much for our security. But the SPD has, like all the experts, strongly proclaimed that the Bundeswehr is underfinanced, particularly in terms of investment. . . . We need information technology and satellites. We need transport capacity." Even Italian Prime Minister D'Alema, the leader of the former Communist Party, said at the April NATO summit, "If this European defense initiative takes off, then Italy will have to spend more on defense."

In fact, the primary reason for the stark disparity between U.S. and EU field capabilities during the Kosovo conflict is that EU countries spend as little as 12 percent of their defense budgets on procurement and research—areas where the United States spends nearly 40 percent of its budget. European military leaders have not yet adapted to an age with no threat of Soviet invasion; Europe's generals still rely on large-scale conscription programs to provide a surplus of bodies to throw in front of invading Soviet tanks. Several European countries have more than one percent of their population in uniform—a complete waste of money and labor.

Large standing armies are not only ill suited to Europe's current military needs but economically counterproductive. To remedy this, European leaders have decided that the first goal of their push toward military union will be to develop a European rapid response force, requiring smaller and far more highly trained military units.

Economic logic should also prod EU leaders to conclude that smaller and more agile professional armed forces are the way to go. Although conscription drives can be viewed as thinly veiled jobs programs for younger workers, they are as economically unsuited to the new global economy as large standing armies are militarily to the new world order. Conscription programs give jobs to people who could be easily employed in other areas while denying the full benefits of military training to those who could use it as a springboard to other, perhaps more permanent, jobs. A smaller professional military would let European governments maximize their current defense dollars on both the employment and procurement fronts. To minimize the impact of a smaller, professional military on already

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stressed European job markets, total forces should be reduced only as fast as current conscripts' tours of duty end—in most cases, after two years. Since it would presumably take longer than that to recruit an all-volunteer force, the transition could be stretched out to assure that minimum personnel commitments were maintained. That would further ease unemployment totals across the continent.

Ideally, the EU leaders will also agree that their standing armies should be ratcheted back to the same level as in Britain, where only 0.3 percent of the population is in uniform, and use the money freed up by having smaller armies to expand procurement programs first and R&D programs later. Blair and his ministers are pressing other European leaders not to cut their military spending as a percentage of GDP. He is also urging them to view the Cologne communiqué as an important step toward reinforcing Europe's "capabilities in the field of intelligence, strategic transport and command and control"—exactly the areas where major economies of scale and investment returns are present. And the need for more spending is clearly not lost on European officials such as Scharping and D'Alema.

LOOKING FOR RICARDO

If the EU were to match British and American spending proportions for these categories, nearly $70 billion would be spent buying equipment from European manufacturers and directing research toward European labs—a sevenfold increase from the present $10 billion total budget. That would be equivalent to about one percent of European GDP, giving a significant boost to economies groping to find a firm foothold.

Obviously, those benefits would clump in certain sectors. The first beneficiaries of this shift in strategy would be European defense companies, who have been struggling as their governments adopt a "Europe-first" procurement policy even as they are buffeted by a tumultuous wave of mergers and acquisitions. But those benefits would multiply quickly if European leaders follow up on a suggestion made at the Cologne summit to apply a little Ricardian analysis to defense research and procurement.

David Ricardo, the famous nineteenth-century British economist, assumed that countries would use international trade to exploit their natural advantages, and European leaders are now considering whether that kind of proposal could work as military union moves closer. In its most fully realized form—as laid out by Charles Grant of the Centre for European Reform, a London-based Blairite think tank—such specialization would look something like this: Britain would do the R&D for nuclear submarines and fighter planes and build them; Germany would specialize in tanks and diesel submarines; the French would focus on satellites, helicopters, and aircraft carriers; and so on.

Following this model, European industry could maximize the economies of scale that a $70 billion dollar budget should provide. This, in turn, would improve Europe's chances to begin having its share of technological breakthroughs that could be commercialized and fed back into broader technological applications. A unified European military would not only change world politics, it would also change European economies, with benefits that we cannot yet fully imagine. After all, although Al Gore may not have invented the Internet, the Pentagon did.

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Essays

CORBIS-BETTMANN

Guangzhou, China, August 1990

China needs to be cut down to size in Western imaginations.

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Does China Matter?

Gerald Segal

MIDDLE KINGDOM, MIDDLE POWER

DOES CHINA matter? No, it is not a silly question—merely one that is not asked often enough. Odd as it may seem, the country that is home to a fifth of humankind is overrated as a market, a power, and a source of ideas. At best, China is a second-rank middle power that has mastered the art of diplomatic theater: it has us willingly suspending our disbelief in its strength. In fact, China is better understood as a theoretical power—a country that has promised to deliver for much of the last 150 years but has consistently disappointed. After 50 years of Mao's revolution and 20 years of reform, it is time to leave the theater and see China for what it is. Only when we finally understand how little China matters will we be able to craft a sensible policy toward it.

DOES CHINA MATTER ECONOMICALLY?

CHINA, UNLIKE Russia or the Soviet Union before it, is supposed to matter because it is already an economic powerhouse. Or is it that China is on the verge of becoming an economic powerhouse, and you must be in the engine room helping the Chinese to enjoy the benefits to come? Whatever the spin, you know the argument: China is a huge market, and you cannot afford to miss it (although few say the same about India). The recently voiced "Kodak version" of this argument is that if only each Chinese will buy one full roll of film instead of the average half-roll that each currently buys, the West will be rich. Of

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course, nineteenth-century Manchester mill owners said much the same about their cotton, and in the early 1980s Japanese multinationals said much the same about their television sets. The Kodak version is just as hollow. In truth, China is a small market that matters relatively little to the world, especially outside Asia.

If this judgment seems harsh, let us begin with some harsh realities about the size and growth of the Chinese economy. In 1800 China accounted for 33 percent of world manufacturing output; by way of comparison, Europe as a whole was 28 percent, and the United States was 0.8 percent. By 1900 China was down to 6.2 percent (Europe was 62 percent, and the United States was 23.6 percent). In 1997 China accounted for 3.5 percent of world GNP (in 1997 constant dollars, the United States was 25.6 percent). China ranked seventh in the world, ahead of Brazil and behind Italy. Its per capita GDP ranking was 81st, just ahead of Georgia and behind Papua New Guinea. Taking the most favorable of the now-dubious purchasing-power-parity calculations, in 1997 China accounted for 11.8 percent of world GNP, and its per capita ranking was 65th, ahead of Jamaica and behind Latvia. Using the U.N. Human Development Index, China is 107th, bracketed by Albania and Namibia—not an impressive story.

Yes, you may say, but China has had a hard 200 years and is now rising swiftly. China has undoubtedly done better in the past generation than it did in the previous ten, but let's still keep matters in perspective—especially about Chinese growth rates. China claimed that its average annual industrial growth between 1951 and 1980 was 12.5 percent. Japan's comparable figure was 11.5 percent. One can reach one's own judgment about whose figures turned out to be more accurate.

Few economists trust modern Chinese economic data; even Chinese Prime Minister Zhu Rongji distrusts it. The Asian Development Bank routinely deducts some two percent from China's official GDP figures, including notional current GDP growth rates of eight percent. Some two or three percent of what might be a more accurate GDP growth rate of six percent is useless goods produced to rust in warehouses. About one percent of China's growth in 1998 was due to massive government spending on infrastructure. Some three percent of GDP is accounted for by the one-time gain that occurs when one takes peasants off the land and brings them to cities, where productivity is

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higher. Taking all these qualifications into account, China's economy is effectively in recession. Even Zhu calls the situation grim.

China's ability to recover is hampered by problems that the current leadership understands well but finds just too scary to tackle seriously—at least so long as East Asia's economy is weak. By conservative estimates, at least a quarter of Chinese loans are nonperforming—a rate that Southeast Asians would have found frightening before the crash. Some 45 percent of state industries are losing money, but bank lending was up 25 percent in 1998—in part, to bail out the living dead. China has a high savings rate (40 percent of GDP), but ordinary Chinese would be alarmed to learn that their money is clearly being wasted.

Some put their hope in economic decentralization, but this has already gone so far that the center cannot reform increasingly wasteful and corrupt practices in the regions and in specific institutions. Central investment—20 percent of total investment in China—is falling. Interprovincial trade as a percentage of total provincial trade is also down, having dropped a staggering 18 percent between 1985 and 1992. Despite some positive changes during the past 20 years of reform, China's economy has clearly run into huge structural impediments. Even if double-digit growth rates ever really existed, they are hard to imagine in the near future.

In terms of international trade and investment, the story is much the same: Beijing is a seriously overrated power. China made up a mere 3 percent of total world trade in 1997, about the same as South Korea and less than the Netherlands. China now accounts for only 11 percent of total Asian trade. Despite the hype about the importance of the China market, exports to China are tiny. Only 1.8 percent of U.S. exports go to China (this could, generously, be perhaps 2.4 percent if re-exports through Hong Kong were counted)—about the same level as U.S. exports to Australia or Belgium and about a third less than U.S. exports to Taiwan. The same is true of major European traders. China accounts for 0.5 percent of U.K. exports, about the same level as exports to Sri Lanka and less than those to Malaysia. China takes 1.1 percent of French and German exports, which is the highest in Asia apart from Japan but about par with exports to Portugal.

China matters a bit more to other Asian countries. Some 3.2 percent of Singapore's exports go to China, less than to Taiwan but on par

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with South Korea. China accounts for 4.6 percent of Australian exports, about the same as to Singapore. Japan sends only 5.1 percent of its exports to China, about a quarter less than to Taiwan. Only South Korea sends China an impressive share of its exports—some 9.9 percent, nudging ahead of exports to Japan.

Foreign direct investment (FDI) is even harder to measure than trade but sheds more light on long-term trends. China's massive FDI boom, especially in the past decade, is often trumpeted as evidence of how much China does and will matter for the global economy. But the reality is far less clear. Even in 1997, China's peak year for FDI, some 80 percent of the $45 billion inflow came from ethnic Chinese, mostly in East Asia. This was also a year of record capital flight

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from China—by some reckonings, an outflow of $35 billion. Much so-called investment from East Asia makes a round-trip from China via some place like Hong Kong and then comes back in as FDI to attract tax concessions.

Even a more trusting view of official FDI figures suggests that China does not much matter. FDI into China is about 10 percent of global FDI, with 60 percent of all FDI transfers taking place among developed countries. Given that less than 20 percent of FDI into China comes from non-ethnic Chinese, it is no surprise that U.S. or European Union investment in China averages out to something less than their investment in a major Latin American country such as Brazil. China has never accounted for more than 10 percent of U.S. FDI outflows—usually much less. In recent years China has taken around 5 percent of major EU countries' FDI outflow—and these are the glory years for FDI in China. The Chinese economy is clearly contracting, and FDI into China is dropping with it. In 1998 the United Nations reported that FDI into China may be cut in half, and figures for 1998–99 suggest that this was not too gloomy a guess. Japanese FDI into China has been halved from its peak in 1995. Ericsson, a multinational telecommunications firm, says that China accounts for 13 percent of its global sales but will not claim that it is making any profits there. Similar experiences by Japanese technology firms a decade ago led to today's rapid disinvestment from China. Some insist that FDI flows demonstrate just how much China matters and will matter for the global economy, but the true picture is far more modest. China remains a classic case of hope over experience, reminiscent of de Gaulle's famous comment about Brazil: It has great potential, and always will.

In truth, China is a small market that matters relatively little to the world.

It does not take a statistical genius to see the sharp reality: China is at best a minor (as opposed to inconsequential) part of the global economy. It has merely managed to project and sustain an image of far greater importance. This theatrical power was displayed with great brio during Asia's recent economic crisis. China received lavish praise from the West, especially the United States, for not devaluing its currency as it did in 1995. Japan, by contrast, was held responsible

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for the crisis. Of course, Tokyo's failure to reform since 1990 helped cause the meltdown, but this is testimony to how much Tokyo matters and how little Beijing does. China's total financial aid to the crisis-stricken economies was less than 10 percent of Japan's contribution.

The Asian crisis and the exaggerated fears that it would bring the economies of the Atlantic world to their knees help explain the overblown view of China's importance. In fact, the debacle demonstrated just how little impact Asia, except for Japan, has on the global economy. China—a small part of a much less important part of the global system than is widely believed—was never going to matter terribly much to the developed world. Exaggerating China is part of exaggerating Asia. As a result of the crisis, the West has learned the lesson for the region as a whole, but it has not yet learned it about China.

DOES CHINA MATTER MILITARILY?

CHINA IS a second-rate military power—not first-rate, because it is far from capable of taking on America, but not as third-rate as most of its Asian neighbors. China accounts for only 4.5 percent of global defense spending (the United States makes up 33.9 percent) and 25.8 percent of defense spending in East Asia and Australasia. China poses a formidable threat to the likes of the Philippines and can take islands such as Mischief Reef in the South China Sea at will. But sell the Philippines a couple of cruise missiles and the much-discussed Chinese threat will be easily erased. China is in no military shape to take the disputed Senkaku Islands from Japan, which is decently armed. Beijing clearly is a serious menace to Taiwan, but even Taiwanese defense planners do not believe China can successfully invade. The Chinese missile threat to Taiwan is much exaggerated, especially considering the very limited success of the far more massive and modern NATO missile strikes on Serbia. If the Taiwanese have as much will to resist as did the Serbs, China will not be able to easily cow Taiwan.

Thus China matters militarily to a certain extent simply because it is not a status quo power, but it does not matter so much that it cannot be constrained. Much the same pattern is evident in the challenge China poses to U.S. security. It certainly matters that China is the only country whose nuclear weapons target the United States. It matters,

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as the recent Cox report on Chinese espionage plainly shows, that China steals U.S. secrets about missile guidance and modern nuclear warheads. It also matters that Chinese military exercises simulate attacks on U.S. troops in South Korea and Japan. But the fact that a country can directly threaten the United States is not normally taken as a reason to be anything except robust in defending U.S. interests. It is certainly not a reason to pretend that China is a strategic partner of the United States.

China is less a global rival like the Soviet Union than a regional threat like Iraq.

The extent to which China matters militarily is evident in the discussions about deploying U.S. theater missile defenses (TMD) in the western Pacific and creating a U.S. national missile defense shield (NMD). Theoretically, the adversary is North Korea. In practice, the Pentagon fears that the U.S. ability to defend South Korea, Japan, and even Taiwan depends in the long term on the ability to defend the United States' home territory and U.S. troops abroad from Chinese missiles. Given the $10 billion price tag for NMD and the so-far unknowable costs of TMD, defense planners clearly think that China matters.

But before strategic paranoia sets in, the West should note that the Chinese challenge is nothing like the Soviet one. China is less like the Soviet Union in the 1950s than like Iraq in the 1990s: a regional threat to Western interests, not a global ideological rival. Such regional threats can be constrained. China, like Iraq, does not matter so much that the United States needs to suspend its normal strategies for dealing with unfriendly powers. Threats can be deterred, and unwanted action can be constrained by a country that claims to be the sole superpower and to dominate the revolution in military affairs.

A similarly moderated sense of how much China matters can be applied to the question of Chinese arms transfers. China accounted for 2.2 percent of arms deliveries in 1997, ahead of Germany but behind Israel (the United States had 45 percent of the market, and the United Kingdom had 18 percent). The $1 billion or so worth of arms that Beijing exports annually is not buying vast influence, though in certain markets Beijing does have real heft. Pakistan is easily the most important recipient of Chinese arms, helping precipitate a nuclear arms race

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with India. Major deals with Sudan, Sri Lanka, and Burma have had far less strategic impact. On the other hand, arms transfers to Iran have been worrying; as with Pakistan, U.S. threats of sanctions give China rather good leverage. China's ability to make mischief therefore matters somewhat—primarily because it reveals that Chinese influence is fundamentally based on its ability to oppose or thwart Western interests. France and Britain each sell far more arms than China, but they are by and large not creating strategic problems for the West.

Hence, it is ludicrous to claim, as Western and especially American officials constantly do, that China matters because the West needs it as a strategic partner. The discourse of "strategic partnership" really means that China is an adversary that could become a serious nuisance. Still, many in the Clinton administration and elsewhere do not want to call a spade a spade and admit that China is a strategic foe. Perhaps they think that stressing the potential for partnership may eventually, in best Disney style, help make dreams come true.

On no single significant strategic issue are China and the West on the same side. In most cases, including Kosovo, China's opposition does not matter. True, the U.N. Security Council could not be used to build a powerful coalition against Serbia, but as in most cases, the real obstacle was Russia, not China. Beijing almost always plays second fiddle to Moscow or even Paris in obstructing Western interests in the Security Council. (The exceptions to this rule always concern cases where countries such as Haiti or Macedonia have developed relations with Taiwan.) After all, the Russian prime minister turned his plane to the United States around when he heard of the imminent NATO attack on Serbia, but the Chinese premier turned up in Washington as scheduled two weeks later.

NATO's accidental May bombing of the Chinese embassy elicited a clear demonstration of China's theatrical power. Beijing threatened to block any peace efforts in the United Nations (not that any were pending), but all it wanted was to shame the West into concessions on World Trade Organization membership, human rights, or arms control. China grandiosely threatened to rewrite the Security Council resolution that eventually gave NATO an indefinite mandate to keep the peace in Kosovo, but in the end it meekly abstained. So much for China taking a global perspective as one of the five permanent members

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of the Security Council. Beijing's temper tantrum merely highlighted the fact that, unlike the other veto-bearing Security Council members, it was not a power in Europe.

In the field of arms control, the pattern is the same. China does not block major arms control accords, but it makes sure to be among the last to sign on and tries to milk every diplomatic advantage from having to be dragged to the finish line. China's reluctance to sign the Nuclear Nonproliferation Treaty (NPT), for instance, was outdone in its theatricality only by the palaver in getting China to join the Comprehensive Test Ban Treaty. China's participation in the Association of Southeast Asian Nations Regional Forum—Asia's premier, albeit limited, security structure—is less a commitment to surrender some sovereignty to an international arrangement than a way to ensure that nothing is done to limit China's ability to pursue its own national security objectives. China matters in arms control mainly because it effectively blocks accords until doing so ends up damaging China's international reputation.

Only on the Korean Peninsula do China's capacities seriously affect U.S. policy. One often hears that China matters because it is so helpful in dealing with North Korea. This is flatly wrong. Only once this decade did Beijing join with Washington and pressure Pyongyang—in bringing the rogue into compliance with its NPT obligations in the early phases of the 1994 North Korean crisis. On every other occasion, China has either done nothing to help America or actively helped North Korea resist U.S. pressure—most notoriously later in the 1994 crisis, when the United States was seeking support for sanctions and other coercive action against North Korea. Thus the pattern is the same. China matters in the same way any middle-power adversary matters: it is a problem to be circumvented or moved. But China does not matter because it is a potential strategic partner for the West. In that sense, China is more like Russia than either cares to admit.

DOES CHINA MATTER POLITICALLY?

THE EASIEST category to assess—although the one with the fewest statistics—is how much China matters in international political terms. To be fair to the Chinese, their recent struggle to define who they are and what they stand for is merely the latest stage of at least

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150 years of soul-searching. Ever since the coming of Western power demonstrated that China's ancient civilization was not up to the challenges of modernity, China has struggled to understand its place in the wider world. The past century in particular has been riddled with deep Chinese resistance to the essential logic of international interdependence. It has also been marked by failed attempts to produce a China strong enough to resist the Western-dominated international system—consider the Boxer movement, the Kuomintang, or the Chinese Communist Party (CCP). Fifty years after the Chinese communist revolution, the party that gave the Chinese people the Great Leap Forward (and 30 million dead of famine) and the Cultural Revolution (and perhaps another million dead as well as a generation destroyed) is devoid of ideological power and authority. In the absence of any other political ideals, religions and cults such as the Falun Gong (target of a government crackdown this summer) will continue to flourish.

Bereft of friends, China is a beacon to no one and an ally to no one.

China's latest attempt to strengthen itself has been the past 20 years of economic reforms, stimulated by other East Asians' success in transforming their place in the world. But the discourse on prosperity that elicited praise for the order-sustaining "Asian values" or Confucian fundamentals was burned in the bonfire of certainties that was the Asian economic crisis. China was left in another phase of shock and self-doubt; hence, economic reforms stalled.

Under these circumstances, China is in no position to matter much as a source of international political power. Bizarre as old-style Maoism was, at least it was a beacon for many in the developing world. China now is a beacon to no one—and, indeed, an ally to no one. No other supposedly great power is as bereft of friends. This is not just because China, once prominent on the map of aid suppliers, has become the largest recipient of international aid. Rather, China is alone because it abhors the very notion of genuine international interdependence. No country relishes having to surrender sovereignty and power to the Western-dominated global system, but China is particularly wedded to the belief that it is big enough to merely learn what it must from the outside world and still retain control of its destiny.

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So China's neighbors understand the need to get on with China but have no illusions that China feels the same way.

China does not even matter in terms of global culture. Compare the cultural (not economic) role that India plays for ethnic Indians around the world to the pull exerted by China on ethnic Chinese, and one sees just how closed China remains. Of course, India's cultural ties with the Atlantic world have always been greater than China's, and India's wildly heterogeneous society has always been more accessible to the West. But measured in terms of films, literature, or the arts in general, Taiwan, Hong Kong, and even Singapore are more important global influences than a China still under the authoritarian grip of a ruling Leninist party. Chinese cities fighting over who should get the next Asian Disneyland, Chinese cultural commissars squabbling over how many American films can be shown in Chinese cinemas, and CCP bosses setting wildly fluctuating Internet-access policies are all evidence of just how mightily China is struggling to manage the power of Western culture.

In fact, the human-rights question best illustrates the extent to which China is a political pariah. Chinese authorities correctly note that life for the average citizen has become much more free in the past generation. But as Zhu admitted on his recent trip to the United States, China's treatment of dissenters remains inhuman and indecent.

Still, China deserves credit for having stepped back on some issues. That China did not demand the right to intervene to help Indonesia's ethnic Chinese during the 1998–99 unrest was correctly applauded as a sign of maturity. But it was also a sign of how little international leadership China could claim. With a human-rights record that made Indonesia seem a paragon of virtue, China was in no position to seize the moral high ground.

Measuring global political power is difficult, but China's influence and authority are clearly puny—not merely compared to the dominant West, but also compared to Japan before the economic crisis. Among the reasons for China's weakness is its continuing ambiguity about how to manage the consequences of modernity and interdependence. China's great past and the resultant hubris make up much of the problem. A China that believes the world naturally owes it recognition as a great power—even when it so patently is not—is not really ready to achieve greatness.

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DOES IT MATTER IF CHINA DOESN'T MATTER?

THE MIDDLE KINGDOM, then, is merely a middle power. It is not that China does not matter at all, but that it matters far less than it and most of the West think. China matters about as much as Brazil for the global economy. It is a medium-rank military power, and it exerts no political pull at all. China matters most for the West because it can make mischief, either by threatening its neighbors or assisting anti-Western forces further afield. Although these are problems, they will be more manageable if the West retains some sense of proportion about China's importance. If you believe that China is a major player in the global economy and a near-peer competitor of America's, you might be reluctant to constrain its undesired activities. You might also indulge in the "pander complex"—the tendency to bend over backward to accommodate every Chinese definition of what insults the Chinese people's feelings. But if you believe that China is not much different from any middle power, you will be more willing to treat it normally.

This notion of approaching China as a normal, medium power is one way to avoid the sterile debates about the virtues of engaging or containing China. Of course, one must engage a middle power, but one should also not be shy about constraining its unwanted actions. Such a strategy of "constrainment" would lead to a new and very different Western approach to China. One would expect robust deterrence of threats to Taiwan, but not pusillanimous efforts to ease Chinese concerns about TMD. One would expect a tough negotiating stand on the terms of China's WTO entry, but not Western concessions merely because China made limited progress toward international transparency standards or made us feel guilty about bombing its embassy in Belgrade. One would expect Western leaders to tell Chinese leaders that their authoritarianism puts them on the wrong side of history, but one would not expect Western countries to stop trying to censure human rights abuses in the United Nations or to fall over themselves to compete for the right to lose money in the China market.

To some extent, we are stuck with a degree of exaggeration of China's influence. It has a permanent U.N. Security Council seat even though it matters about as much as the United Kingdom and France, who hold their seats only because of their pre–World War II

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power. Unlike London and Paris, however, Beijing contributes little to international society via peacekeeping or funding for international bodies. China still has a hold on the imagination of CEOs, as it has for 150 years—all the more remarkable after the past 20 years, in which Western companies were bamboozled into believing that staying for the long haul meant eventually making money in China. Pentagon planners, a pessimistic breed if ever there was one, might be forgiven for believing that China could eventually become a peer competitor of the United States, even though the military gap, especially in high-technology arms, is, if anything, actually growing wider.

Nevertheless, until China is cut down to size in Western imaginations and treated more like a Brazil or an India, the West stands little chance of sustaining a coherent and long-term policy toward it. Until we stop suspending our disbelief and recognize the theatrical power of China, we will continue to constrain ourselves from pursuing our own interests and fail to constrain China's excesses. And perhaps most important, until we treat China as a normal middle power, we will make it harder for the Chinese people to understand their own failings and limitations and get on with the serious reforms that need to come.

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What to Do With American Primacy

Richard N. Haass

WE'RE NUMBER ONE. NOW WHAT?

We live in an era of contradictions: globalization and fragmentation, peace and conflict, prosperity and poverty. Only when one or more of these tendencies wins out will our era gain a name of its own, displacing the awkward "post–Cold War" tag line. But amid this uncertainty is the stark reality that the United States is the most powerful country in the world—first among unequals. Still, this is a description, not a purpose or a policy. The fundamental question that confronts America today is how to exploit its enormous surplus of power in the world: What to do with American primacy?

It must be said at the outset that America's economic and military advantages, while great, are neither unqualified nor permanent. The country's strength is limited by the amount of resources (money, time, political capital) it can spend, which in turn reflects a lack of domestic support for some kind of American global empire. De Tocqueville's observation that democracy is ill suited for conducting foreign policy is even more true in a world without a mortal enemy like the Soviet Union against which to rally the public.

Moreover, U.S. superiority will not last. As power diffuses around the world, America's position relative to others will inevitably erode. It may not seem this way at a moment when the American economy is in full bloom and many countries around the world are sclerotic, but the

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long-term trend is unmistakable. Other nations are rising, and nonstate actors—ranging from Usama bin Ladin to Amnesty International to the International Criminal Court to George Soros—are increasing in number and acquiring power. For all these reasons, an effort to assert or expand U.S. hegemony will fail. Such an action would lack domestic support and stimulate international resistance, which in turn would make the costs of hegemony all the greater and its benefits all the smaller.

Meanwhile, the world is becoming more multipolar. American foreign policy should not resist such multipolarity (which would be futile) but define it. Like unipolarity, multipolarity is simply a description. It tells us about the distribution of power in the world, not about the character or quality of international relations. A multipolar world could be one in which several hostile but roughly equal states confront one another, or one in which a number of states, each possessing significant power, work together in common. The U.S. objective should be to persuade other centers of political, economic, and military power—including but not limited to nation-states—to believe it is in their self-interest to support constructive notions of how international society should be organized and should operate.

The proper goal for American foreign policy, then, is to encourage a multipolarity characterized by cooperation and concert rather than competition and conflict. In such a world, order would not be limited to peace based on a balance of power or a fear of escalation, but would be founded in a broader agreement on global purposes and problems. In his insightful first book, *A World Restored*, Henry A. Kissinger argues that the competitive multipolar world of nineteenth-century Europe managed to avoid great-power war because the great powers forged a consensus on certain core issues of international relations. American leaders must seek to build such an international consensus for the 21st century.

This goal is not as far-fetched as it may appear. Even now, significant areas of international life are characterized by substantial cooperation, especially in the economic realm. The World Trade Organization (WTO) is an orderly, rule-based mechanism for resolving trade disputes and opening the world economy; finance ministers meet regularly to coordinate monetary policies; and broadly supported conventions ban bribery and corruption. Economic interaction is also regulated by

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an international marketplace that puts a premium on government policies and procedures—privatization, reduced government subsidies, accepted accounting practices, bankruptcy proceedings—that encourage investment and a free flow of capital.

Military and political interactions are also regulated, although less deeply and extensively. There are some accepted grounds for using military force, such as self-defense. Norms (along with treaties or other arrangements to back them up) outlaw biological and chemical weapons, prohibit nuclear-bomb testing, and discourage the proliferation of nuclear weapons and ballistic missiles. In the political domain, formal international agreements promote human rights, outlaw genocide and other war crimes, and safeguard refugees. Clearly, though, the political-military area is going to be characterized by greater anarchy and discord than is economics. Important questions remain hotly debated: When is it legitimate to use military force other than in self-defense? What should be done to further limit weapons of mass destruction? What restrictions, if any, ought to exist on the ability of governments to act as they wish within their own borders?

Only when there is consensus among the major powers on these and related issues will a significant degree of order exist. Without great-power agreement, international relations could easily revert to a much more hostile system than the one that exists today. With such cooperation, however, we can ameliorate (though never abolish) some of the dangers of great-power competition and war that have plagued the world for much of its history.

FOUR FUNDAMENTALS

IDEALLY, post–Cold War international society will be built on four foundation stones: using less military force to resolve disputes between states, reducing the number of weapons of mass destruction and the number of states and other groups possessing such weapons, accepting a limited doctrine of humanitarian intervention based on a recognition that people—and not just states—enjoy rights, and economic openness. Such a world would be relatively peaceful, prosperous, and just.

The goal of reducing, if not eliminating, the role of force is not foolishly optimistic. Already, the use of force by one major power

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against another is either politically unthinkable or prohibitively expensive—with costs that include the danger of escalation to unconventional weaponry. The challenge is to make any such use of force between major powers even more unlikely and to forge agreement about when using force is legitimate.

Real progress has been made in the effort to reduce the role of weapons of mass destruction. The world has come a long way since nuclear weapons were the basic unit of account of great-power competition. U.S. and Russian nuclear inventories are slated to decrease to approximately 3,500 weapons apiece under the signed but (in the Russian case) unratified START II accord. The two inventories would shrink further under START III. Biological and chemical weapons are prohibited, as is all nuclear testing. Although India and Pakistan conducted nuclear tests last year, a number of states, including Ukraine, Belarus, Kazakhstan, South Africa, Brazil, and Argentina, have voluntarily given up nuclear weapons programs in recent years. The remaining items on the agenda include negotiating further reductions in the arsenals of existing nuclear weapons states, principally Russia; methodically introducing defensive antimissile systems; discouraging the proliferation of missile and nuclear capability to additional states or nonstate actors; and enforcing the ban against possessing or using chemical and biological weapons.

The third building block of a post–Cold War world could well prove the most controversial. For 350 years, international order has been buttressed by the notion of sovereignty: that what goes on within the borders of a nation-state is its business and its business alone. The notion of sovereignty was itself an advancement that promoted order by discouraging the meddling that could all too easily lead to conflict. But over the past half century and especially during the past decade, a new reaction against absolute sovereignty has gained strength. Today, sovereignty is increasingly judged as conditional, linked to how a government treats its citizens. When a government proves unable or unwilling to safeguard its citizens—when the inherent contract between the government and the governed is violated—the leadership forfeits its normal right to expect others to keep their distance. It then falls to the international community to act, either diplomatically (utilizing persuasion, sanctions, or aid) or with force, under the banner of humanitarian intervention. The obvious challenge

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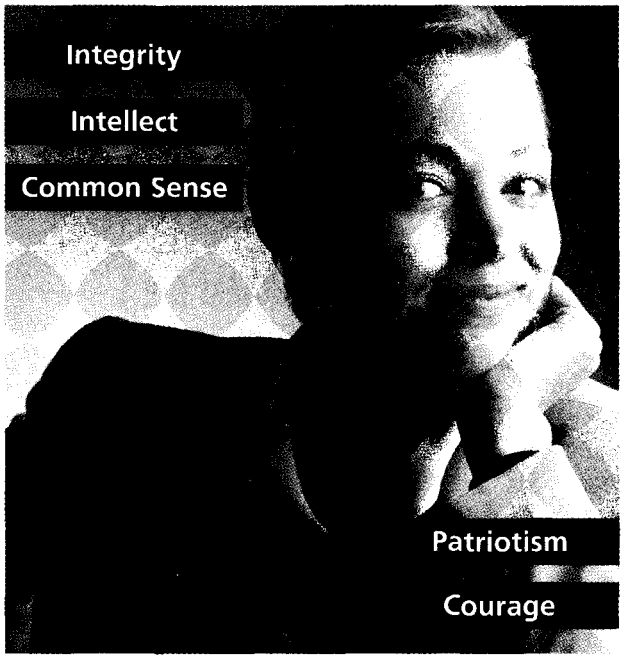

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is to gain broader recognition of this modified view of sovereignty, and acceptance of (if not support for) particular interventions.

The fourth building block of post–Cold War international society is economic openness, which requires not only the easy movement of goods, capital, and services across national lines, but also transparent domestic markets that favor private-sector activities. Such openness is necessary to sustain prosperity and works to buttress civil society and increase linkages and interdependencies—factors that should be a bulwark against military conflict. What is needed is not so much a new international financial architecture or added controls on the movement of money as some interior decorating that would increase the transparency and efficiency of national economies throughout much of the world.

BRINGING OTHERS ON BOARD

THE WORLD described here will not come about solely from its inherent appeal. To the contrary, building and maintaining such an order requires sustained effort by the world's most powerful actor, the United States. Its ultimate success, in turn, demands that Americans properly handle their country's role as sole superpower of the world. American foreign policy must project an imperial dimension, although not in the sense of territorial control or commercial exploitation; such relationships are neither desirable nor sustainable today. Rather, the United States must attempt to organize the world along certain principles affecting both relations between states and conditions within them. The U.S. role should resemble that of nineteenth-century Great Britain, the global leader of that era. U.S. influence would reflect the appeal of American culture, the strength of the American economy, and the attractiveness of the norms being promoted. Coercion and the use of force would normally be a secondary option.

The United States seeks a world based on peaceful relations, nonproliferation, respect for human rights, and economic openness. It must therefore convince other great powers to join with it to promote these ends, thereby constructing a stronger and more durable order that protects the bulk of U.S. interests and reduces the foreign policy burden—in financial and human terms alike—on the United States.

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Certain costs will accompany such a cooperative arrangement. The United States will need to relinquish some freedom of action and modulate the tone of its rhetoric. Sanctions should cease to dominate policy; incentives need to be employed instead, or in tandem. Carrying out unilateral preemptive strikes on suspected weapons facilities, as the United States did in Sudan last August, would become more difficult. The barrier against intervening in internal conflicts would be higher. The pace and extent of additional NATO enlargement would most likely be restrained. The United States would have to limit the scale of any national missile defenses if Russia and China were to cap their strategic forces. Although the benefits would outweigh such costs, bringing about a world that would justify such restraint will be difficult. In fact, three main obstacles lie in the path toward establishing and maintaining an international society to America's liking.

First and most obvious is the opposition of other power centers, major and minor alike. Some resistance is inevitable, at times from France or other European states or Japan, more often from China and Russia. China in particular will oppose any limit on its ability to use force to resolve the Taiwan issue. China is also determined to increase its strategic arsenal. Both China and Russia will feel threatened by American deployment of defensive systems. In response, they may sell technology that could bolster another state's unconventional weapons program. Russia (to some extent) and China (especially) will view humanitarian intervention as a pretext for unwelcome interference in their internal affairs. Japan holds to a more closed view of the ideal economy. Few if any major powers would support preventive attacks on the fledgling unconventional weapons programs of what the United States views as rogue states; as a rule, the United States tends to find itself isolated when emphasizing sanctions and military attacks instead of commerce and other forms of unconditional engagement. A host of smaller but still considerable powers, including India, Pakistan, Iran, Iraq, North Korea, and others, are likely to view an American-led world as discriminatory, threatening, or both.

How, then, might the United States persuade others of the desirability of such a world? The operative word here is "persuade." Areas of consensus will begin to emerge only following strategic dialogues—intense conversations with other governments and opinion

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leaders in various societies. If *negotiations* were at the center of Cold War diplomacy, *consultations* must form the core of post–Cold War foreign policy. The goal is to build or strengthen global institutions that buttress the basic principles of order. Optimally, this would include a revamped U.N. Security Council willing and able to counter aggression, whether by one state against another or by a government against its own people; a more comprehensive WTO better able to promote open trade; smaller nuclear arsenals and a reduced chance of nuclear conflict; supplier clubs that restrict the spread of advanced weapons technology; and a stronger International Atomic Energy Agency to police nuclear proliferation and similar organizations to enforce chemical and biological weapons bans.

Multilateralism, while limiting, is the best way to foster a world that protects U.S. interests.

Why would other states go along with U.S. preferences? In some cases, they will see the same inherent benefits as America. This applies best to Europe, already America's most frequent partner. More generally, economic openness tends to be its own reward. Most major powers also have a stake in avoiding large-scale conflicts, slowing the spread of technologies that threaten them, and maintaining a free flow of oil and gas. Cooperation with the United States will bring benefits in the form of shared technology and capital. At least as important is the status that the United States can confer on its partners. Both Russia and China clearly want to be seen as great powers, as members of the inner circle shaping international relations. Only by working with the United States can they and the U.N. Security Council avoid being regularly bypassed.

Still, consultations alone—even consultations buttressed by incentives—will not bring about consensus in every area. Persuasion has its limits. The major powers may not agree on general rules; even when they do, they may not agree on how to apply them in a particular situation. In such circumstances, it makes little sense for the United States to work in vain for the emergence of international consensus, guaranteeing only inaction or a lowest common denominator and hence ineffective foreign policy.

The other extreme, unilateralism, likewise has little appeal. On its own, the United States can do little to promote order. Too many of

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today's challenges—protectionism, proliferation, genocide—cannot be solved by one nation alone, either because cooperation is necessary to combat the problem, resources are limited, or both. The benefits of multilateralism outweigh its tendency to constrain American means and dilute American goals. In addition to distributing the burden of promoting order, multilateralism can restrain the impulses of others, reduce opposition to U.S. actions, and increase the chances of policy success.

What, then, are the options that fall between perfect internationalism and unilateralism? One idea, put forward by Samuel P. Huntington and others, is dependence on regional powers, sometimes referred to as "pivotal states." There are serious problems with this idea, however. In several regions, the strongest state is not accepted as a legitimate policeman by its weaker neighbors: consider India, Israel, and China. Worse yet, in the Middle East, for example, it is the dominant states (Iran and Iraq) that require policing.

A better option is regionalism. Regionalism is not to be confused with assigning the task of promoting order to regional hegemons. The former involves building consensus and capacity on a regional scale, the latter the assertion of dominance by a single actor over its neighbors.

The problem with regionalism is that in many regions—Northeast Asia, South Asia, the Levant, the Persian Gulf—the principal states do not agree on what constitutes regional order. In other regions such as Europe, the problem is primarily one of capacity. Europe needs far more military muscle—and the ability to speak with a common voice—to play an effective role on the continent or beyond. The same holds for Latin America. In Africa, disagreement and a lack of consensus limit what the principal regional organization (the Organization of African Unity) can do, although subregional organizations have done some good in limited cases.

The main alternative to promoting political, economic, and military order on either a regional or a global scale would be to organize coalitions—as broad as possible—of the able and willing, normally with the United States in the lead. Such groupings are not ideal—they tend to be ad hoc and reactive and lack the legitimacy of U.N. or formal regional undertakings—but they are consistent with a world where the willingness of governments to cooperate varies from crisis to

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crisis and situation to situation, and where great-power consensus is unreliable. Lord Palmerston's dictum—"We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow"—applies in spades to the post–Cold War world.

INDISCRIMINATE AMERICA

IN THE END, the creation and maintenance of an American world system will depend as much or more on what Americans and their leaders do as on outside influences. One internal obstacle to properly achieving this goal stems from the desire to do too much, from establishing ends that are overly ambitious. Hegemony, as has already been noted, falls under this rubric. So, too, does democratic enlargement, the only attempt by the Clinton administration to define a post-containment foreign policy doctrine. America simply lacks the means to shape the political culture and system of another country—short of long-term occupation, an option usually unavailable and not guaranteed to work, as demonstrated in Haiti. Moreover, partial success might make countries vulnerable to nationalist fervor. A foreign policy informed by a universal humanitarian impulse would surely qualify as a case of what Paul Kennedy defines as "imperial overstretch." At the same time, not acting entails real costs, not only for the innocent people who lose their homes or lives or both, but also for America's image in the world. Moreover, a narrow foreign policy based solely on self-interest is unlikely to capture the imagination or enjoy the support of the American people, who want a foreign policy with a moral component.

But how can the United States get it right? To address this dilemma, it helps to divide the humanitarian intervention issue into three questions: whether, how, and why to intervene.

What factors should influence the decision to intervene? The first is the scale of the problem: not every repression is a genocide. A second consideration is whether there are other interests, economic or strategic, beyond humanitarianism. Do such interests argue against intervening with military force, as they did in Chechnya, or in favor, as in Bosnia? Third is the matter of partners. How much help can the United States expect from others, militarily and economically? Fourth, what

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are the likely costs and consequences of intervening? Will action significantly reduce the problem? What larger consequences will acting have for U.S. interests in the region and beyond? Last, what would be the likely results of other policies, including, but not limited to, doing nothing?

Such objective questions are no substitute for situational judgment; there can be no intervention template. But they do provide discipline and, with it, some potential guidance. These considerations would have made the United States less likely to occupy Haiti or expand the Somalia intervention into nation-building, but more likely to act earlier in Bosnia and Rwanda, where a small intervention could have prevented genocide.

It is thus impossible to answer the question of *whether* to intervene without also considering *how* to intervene. The likely costs and benefits of various foreign policy instruments—including diplomacy, political and economic sanctions, incentives, covert action, and military force—need to be weighed. Military options can be further divided to include aiding one side in a conflict, deterring through presence or threats to act, creating safe havens, bombing to weaken or coerce one side, deploying combined armed forces to defeat one or more of the protagonists on the battlefield, nation-building, or sending in forces to keep a peace. Significant interventions that require subsequent long-term occupations cannot be pursued very often.

The third and last question concerns purpose. Humanitarian interventions can be undertaken to prop up a failed state, protect an entire population from danger, or shield part of the populace from the government or another group. If a segment of a society is threatened, when should the United States support the desire of a people for their own state?

A universal bias in favor of self-determination would be destabilizing, so several factors should be weighed. There must be some historical legitimacy. The historical argument can be positive, reflecting a tradition, or negative, resulting from necessity borne of persecution. A second consideration is viability: it makes no sense to encourage independence if the new state would be doomed. A third consideration is internal stability and the likely behavior of the new government toward its citizens. The international community should have done more to

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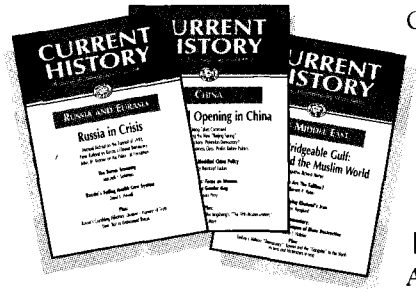

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condition its support for the independence of parts of the former Yugoslavia on the protection of minorities. A fourth factor is regional stability and the likely reaction of neighboring states. It is for this reason that the United States is correct to oppose a unilateral Palestinian claim for self-determination. Israel has a fundamental stake in this decision. Similarly, Kurdish desires for statehood must be weighed against the claims of Turkey and others. The United States ought not adopt political objectives that are more ambitious than what the humanitarian circumstances warrant.

When deciding whether to intervene, inconsistency is a virtue.

Inconsistency is unavoidable, but it is also a virtue. Intervening everywhere would exhaust the United States; intervening nowhere would encourage conflict and undermine America's belief in itself and its ability to do good.

What would all this have meant in the case of Kosovo? It is not clear even in retrospect how asking these questions would have influenced the decision to intervene militarily. U.S. interests, while less than vital, went beyond the humanitarian; European allies were prepared to offer significant assistance. At the same time, the scale of the problem was decidedly less than genocide, and strong Russian and Chinese opposition was predictable. The most critical judgment—how to use military force—was one the Clinton administration and NATO got wrong: believing that the threat or use of air power alone would pressure Slobodan Milošević to cease killing and ethnically cleansing the Kosovars and accept the Rambouillet peace accords. Instead, the bombing turned a humanitarian crisis into something much worse. The fact that 11 weeks of bombing led Milošević to back down does not alter this judgment. It would have been wiser to continue diplomacy and deal with a limited humanitarian crisis while looking for ways to weaken or topple the Milošević regime, or to send in ground forces at the outset and prevent the displacement and killing. The administration was correct, however, to avoid making Kosovo's independence an objective, an outcome which would have alienated most European states as well as Russia and led to further regional conflict.

A somewhat restrained approach to humanitarian intervention is unlikely to satisfy either those who wish to place it at the center

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of American foreign policy or those who wish to relegate it to the periphery. But there must be limits on U.S. military action when a situation is not dire, when partners are scarce, or when other major powers oppose American intervention. Promoting this dimension of world order should not be allowed to undermine the other dimensions. At the end of the day, order is more fundamental than justice; one can have the former without the latter, but not vice versa. Adhering to this precept will take discipline, but discipline is essential in foreign policy if the urgent is not to crowd out the important.

Anyone doubting this assertion need only consider for a moment the costs of a breakdown in any of the other three areas of international order. Major conflict, the spread or use of weapons of mass destruction, or a global financial meltdown would have profound and direct consequences for the United States and American society. Humanitarian abuses simply cannot cause comparable harm on a global scale; as a result, the United States must avoid jeopardizing larger interests when addressing them.

IMPERIAL UNDERSTRETCH

THE THIRD obstacle to expanding international order is the opposite of the second. It is the problem of the United States' doing too little, of underachieving. It may seem odd to suggest that a country that spends more than $300 billion a year on national security (if one includes defense, intelligence, economic and military assistance, and diplomacy), stations hundreds of thousands of troops overseas, maintains hundreds of embassies and diplomatic missions of every sort, and listens in on millions of phone calls may not be doing enough, but this is the case. A decade into the post–Cold War era, the United States risks squandering its primacy.

This judgment reflects more than the fact that what is now spent on national security (in terms of percentage of GDP) constitutes a post–World War II low. Indeed, it is precisely what we are *not* prepared to do for our global interests and preferences that is most noteworthy. Examples include an increased unwillingness to commit ground forces and risk casualties; a failure to garner "fast-track" negotiating authority from Congress to expand open trading arrangements beyond

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NAFTA and the WTO; the low priority given to reducing the U.S. and Russian nuclear arsenals; a half-hearted and arbitrarily limited effort to pressure Iraq into accepting the presence of U.N. weapons inspectors; a lack of time devoted by senior officials to discussing basic international issues with other powers; and a lack of effort to explain to the American people why they ought to support an active leadership role—indeed, an imperial role—for the United States despite the end of the Cold War and the demise of the Soviet Union.

But no idea, no matter how compelling, ever sells itself. Ideas must compete in the political marketplace. Polls suggesting strong domestic support for U.S. leadership in the world are misleading. They reflect inclination but not intensity; Americans, for the most part, are not so much isolationist—which requires strong feelings about foreign affairs—as disinterested. Polls therefore offer little insight into political behavior or public readiness to sustain foreign policy amid considerable human or financial cost.

The Kosovo experience revealed deep cleavages. And whereas President Clinton has often called for a national dialogue about race, the time has come for a national dialogue on this country's role in the world. Such a dialogue is necessary because what is being argued for here—a foreign policy directed toward promoting world order—demands not only substantial resources but also public attention. Any approach to the world that includes large elements of hegemony and unilateralism will require more than the American public and the U.S. political system can sustain, but the greater danger is that even a multilateral policy of promoting world order will prove to be too much. Future presidents will not be able to appeal to fear as they could during the Cold War. Nor will they have the advantage of simplicity or clarity. Ultimately, the United States will intervene in some crises but not others; other countries will be less than allies but also less than adversaries; and the United States will look differently on other nations' becoming nuclear powers. In this complicated, ambiguous world, greater understanding and explanation will be necessary. Only the president can lead a dialogue on what to do with America's primacy, and this will be a priority for Clinton's successor. "It's the world, stupid" should be his or her refrain.

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Eight Steps to a New Financial Order

Alan S. Blinder

BACK TO BRETTON WOODS

FINANCIAL CRISES once made most people's eyes glaze over; they were subjects of intense interest to only a limited clientele, many of whom wore green eyeshades. Not any longer. The topic has unfortunately acquired a mass audience in the second half of the 1990s. Stunning currency collapses in Mexico (1995), southeast Asia (1997), Russia (1998), and Brazil (1999) have pushed the subject to the front page. Financial conflagrations have become too frequent, too devastating, and too contagious to be ignored.

As the World Bank's chief economist Joseph Stiglitz has put it, when so many cars run off the road, you start wondering whether the road itself might be the problem. And indeed, many questions are now being raised about the global financial architecture. Much of the discussion centers around the concept of "moral hazard," an awkward phrase that economists borrowed years ago from the world of insurance. In the financial context, it means that people (or banks, or governments) who are shielded from the consequences of their actions may take imprudent risks—hoping they will be bailed out if things go wrong.

But there is a vastly more important hazard of much greater moral urgency: the fact that financial crises afflict literally hundreds of millions

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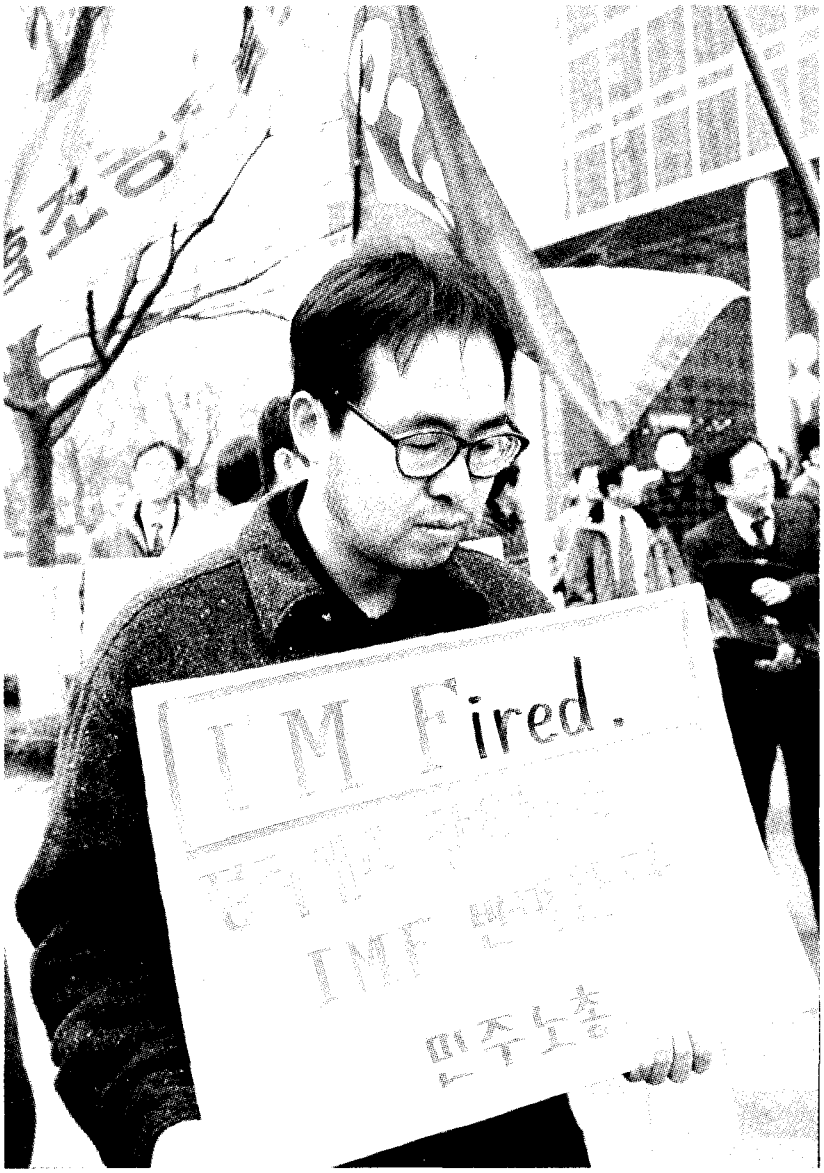

AP/WIDE WORLD PHOTOS

Fighting words: South Korean worker protests IMF-imposed cuts, Seoul, 1997

of innocent bystanders who play no part in the speculative excesses but nonetheless suffer when the bubbles burst. The present global financial system manifestly fails to protect these poor people from extreme hazards. This failure is the chief reason to seek reform. Those who bet wrongly in financial markets should suffer losses. And borrowers should repay their debts, even when they are onerous. But citizens who take no part in the game should be shielded from the

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consequences of financial collapse to the maximum extent possible. This is plainly not happening now. How did we get into such an awful mess?

The story starts back in 1944, when the major Allied nations met at Bretton Woods, New Hampshire, to design a mechanism for restoring the shattered world economy to health. They created a new international financial architecture based on fixed exchange rates and the convertibility of the U.S. dollar into gold. And they established a new multilateral institution, the International Monetary Fund, to police the system.

The demise of fixed exchange rates in the 1970s robbed the IMF of its principal *raison d'être*. But the fund morphed its mission several times and now has evolved into a global advice-and-rescue squad—one part wealthy benefactor, one part stern schoolmarm, and one part global firefighter. It lectures countries on economic orthodoxy, proffers financing in return for approved behavior, and rides dramatically to the rescue when countries fall prey to financial crises.

The fund has long had its critics, and their criticisms have grown louder and more frequent in the 1990s. Since the Mexican crisis erupted at the close of 1994, the IMF's schoolmarmish advice and firefighting work have been attacked as wrong-headed. Some prominent voices—among them former Secretary of State and Treasury George P. Shultz's—have even called for the fund's abolition. That raises a key question: Have all the recent financial travails happened despite, or because of, the IMF? There now seems to be a widely shared consensus—even within the fund—that the current design is old and creaky and needs to be brought up to date. Unfortunately, the consensus ends right there.

How can we make the international financial architecture designed in 1944 work better in the fast-paced, high-octane world of 1999? The eight-point plan below focuses on broad principles of design rather than on the detailed bricks and mortar—but not because the latter are unimportant. On the contrary, both God and the Devil (to merge the two clichés) will ultimately be found in the details. However, meaningful debates over numerous important issues must wait until we first agree on basic principles to govern the new financial system. The physics must precede the engineering.

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THE ART OF THE POSSIBLE

A LOGICAL WAY to begin is by setting the goals of international financial reform. What do we want to accomplish? We cannot expect to design an international financial system that totally eliminates risk. Manias, panics, and speculative excesses are inherent in free-market capitalism. Speculative markets have always been subject to alternating waves of greed and fear; they go to extremes, exhibit herdlike behavior, and probably always will. All this is part of the price we pay for vibrant, highly productive capitalism—a necessary blemish on an economic system that has produced a dazzling record of achievement.

But we should recognize the blemish for what it is. The current system breeds too many crises that are too severe. Much of the non-Western world has suffered through one or another such malady in the past few years. What the global economy needs now is a way to minimize the frequency and intensity of crises. Moreover, the present system lets financial epidemics blossom into global pandemics. Our new financial architecture should have sturdier defenses against contagion. Perhaps most critical of all, but least mentioned, the world badly needs a system that protects innocents from the financial hurricanes that sometimes swirl around them.

But how? Grandiose schemes involving elaborate international institutions tend to get nowhere fast. Regardless of its merits, no world central bank will be created in my lifetime. Even establishing a global financial super-regulator, a far more modest step, would require an implausible surrender of national sovereignty. And an international bankruptcy court would require coordination among nations that have very different bankruptcy laws. Better to stick with more modest plans that require little or no institution-building. The world's poor cannot wait for grand edifices to be built.

The plan outlined here can be accomplished through two channels: reform of the IMF, and changes in national practices that countries can implement on their own (indeed, some are already being implemented). The recommendations divide neatly into two categories, corresponding roughly to the IMF's roles as schoolmarm and firefighter.

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FOUR OUNCES OF PREVENTION

THE FIRST four recommendations focus on policies designed to build a financial system with fewer vulnerabilities—including both policies that sovereign nations should adopt on their own, and advice the IMF should dispense to its client states. As will be seen, parts of the schoolmarm's catechism need to change.

Principle 1: Don't fix your exchange rate. This point seems the most fundamental, but was curiously de-emphasized until former Treasury Secretary Robert E. Rubin more or less endorsed it at an April 1999 IMF meeting. All the international financial crises of the 1990s, like most of the crises of the 1970s and 1980s, have shared a common element: a fixed exchange rate that crumbled under speculative attack. Indeed, in the cases of Mexico, southeast Asia, Russia, and Brazil, the defense of an exchange rate pegged at an untenable level was at the very heart of the crises. The lesson seems painfully obvious: Fixed exchange rates, being hazardous to a country's economic health, should be avoided. This is not an ideological position founded on religious devotion to free markets. It is, rather, based on pragmatic observation of many painful experiences. Nor do I insist on purity—"dirty" or managed floats are just fine. Indeed, even some versions of exchange-rate fixity may make sense under the right circumstances. But floating rates ought to be considered the norm by the IMF of 1999, just as fixed rates were in 1944.

I do not believe in a "one size fits all" exchange-rate policy. Particular countries at particular times may have good reasons to peg their exchange rates to a hard currency. For example, Brazil's crawling peg and Argentina's currency board (which guarantees the convertibility of pesos into dollars) helped rid those nations of hyperinflation in the 1990s. Hong Kong's currency board helped restore confidence that was badly shaken in the 1980s by the prospect of Chinese rule. Some small countries dominated by a big neighbor may deem it either foolhardy or hopeless to have an independent exchange rate. And fixed rates may be necessary for other reasons; remember the European Exchange Rate Mechanism, a stepping stone to monetary union. But these should be viewed as exceptions to a general rule. As global financial markets grow bigger and more fluid, the viability of fixed

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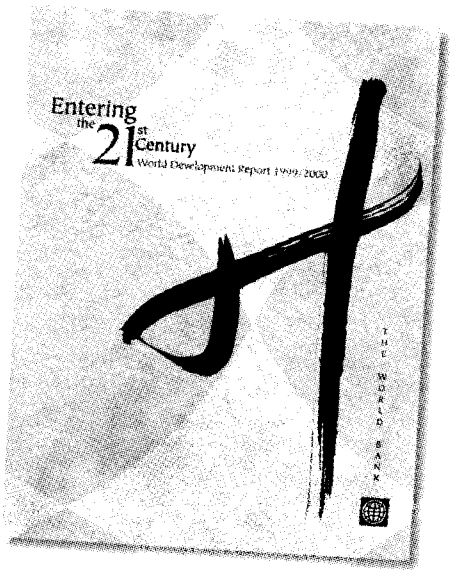

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exchange rates that are not literally locked in place forever (as in a monetary union) diminishes accordingly. Market forces are simply too powerful relative to the resources at central banks' command.

In this important respect, we need to recognize that the world of 1999 is quite different from the world of 1944. Just as fixed exchange rates were the linchpin of the financial architecture designed at Bretton Woods, floating rates should be the accepted norm in the new financial architecture.

Fixed exchange rates are hazardous to a country's health and should be avoided.

Any nation that decides to peg its exchange rate will be well advised to have an exit strategy—and to use it at a propitious moment before speculators take aim. Forced devaluations can be disastrous. Think how much easier and smoother the necessary adjustments would have been if the Mexican peso, the Indonesian rupiah, and the Brazilian real had floated down gradually over a period of months or years rather than dropping abruptly. As George Soros (among others) has observed, with no fixed exchange rate for a target, speculators have nothing to shoot at.

Principle 2: Borrow less in foreign currency. A second common element in the financial crises of the 1990s—with the possible exception of Brazil's—has been an excessive amount of borrowing in foreign currency, especially for the short term. This extremely risky practice should be actively discouraged by both the IMF and national governments.

When combined with an allegedly fixed exchange rate, such borrowing makes for an especially volatile—and sometimes toxic—brew, a "fixed exchange rate bubble." It works like this: banks and corporations in emerging markets, where local interest rates are comparatively high, find the lure of lower U.S. (or German, or Japanese) rates irresistible. So they borrow in, say, dollars and then either lend in local currency or invest in local assets.

That is precisely what the Mexican government did in 1994, and what many southeast Asian banks and businesses did throughout the 1990s. When the fixed exchange rate collapsed, they found themselves buried under an avalanche of unpayable debt. Worse yet, millions of innocent victims fell with them as the economies crumbled under the weight of all that debt.

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Critics will object that borrowers in emerging markets cannot afford to pay expensive local-currency interest rates. They must borrow at lower rates in dollars, some claim, or else development will be retarded. I disagree—on at least three grounds.

First, in the case of southeast Asia (though not Mexico or Russia) much of the foreign borrowing was not necessary for development. Each of the Asian "tigers" generated an enormous volume of domestic saving relative to the size of its economy. The influx of foreign capital seeking quick returns just "boomed the boom," leading to overcapacity and to speculative bubbles in equity and real estate markets.

Second, the risk premium for borrowing in home currency may not be all that onerous if a country's fundamentals are reasonable, a liquid market is created, and the exchange rate regime does not present market participants with a one-way bet by signaling to speculators that the currency can only go down. For example, markets have recently been charging South Africa only roughly three percentage points more to borrow in rand rather than in dollars—not an outlandish premium.

Third, and most fundamental, pretending that borrowing a U.S. dollar was just another name for borrowing, say, 25 Thai baht or 2,500 Indonesian rupiah was a cruel hoax that led to excessive borrowing and inappropriate allocation of risk. By borrowing dollars and lending baht (or making loans collateralized by baht assets), Thai banks and finance companies took on much more risk than those bargain-basement dollar interest rates indicated. The higher baht interest rates, which included a market-determined premium for exchange-rate risk, indicated risk more accurately. Had Thai companies been forced to pay those higher rates, they would likely have borrowed much less—which would have been a good thing. As it was, when the exchange rate finally tumbled, millions of innocent Thai citizens were left holding the bag. Similar scenarios played out in Indonesia, South Korea, and Malaysia.

The point is that borrowing in dollars does not eliminate foreign exchange risk—it just forces the wrong people to bear it. Wouldn't it have been better if, say, hedge funds and international banks had lent the money to Thailand in baht, rather than in dollars, thereby assuming the exchange rate risk themselves? They would have charged a market-determined fee for doing so, of course. But that would have better reflected the actual risks rather than covering them up.

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Of course, no one can force financial market participants to lend to emerging markets in local currencies. Thus this principle constitutes a policy recommendation only in the sense that national and international supervisory agencies (like the IMF and the Bank for International Settlements) should cast a jaundiced eye on unhedged foreign-currency borrowing—and place handicaps, like lower supervisory ratings and higher capital charges, on banks that do so. National governments should also shift their sovereign borrowing toward home currency, rather than dollars.

The influx of foreign capital in Asia led to overcapacity and speculative bubbles.

Principle 3: Don't rush to open capital markets. Unfettered international capital mobility is not the best system for all countries. I do not recommend the cessation of global capital flows, nor emulation of Malaysia's heavy-handed approach to restricting them. And I certainly do not favor protectionism in the financial service industries. Chile sets a fine moderate example by being open to foreign banks while imposing prudential controls on capital inflows rather than outflows. Other countries may find different ways, tailored to their own unique circumstances, to slow down the flow of international hot money. But the hard-core Washington consensus—which holds that international capital mobility is a blessing, full stop—needs to be tempered by a little common sense.

This finally seems to be happening. But only two years ago, the IMF was well on its way toward requiring full capital account convertibility of all its member states. During the Asian crises, the IMF saw open capital accounts as part of the solution, rather than part of the problem. I found that attitude badly misguided, and it pains me to admit that the U.S. government was a primary pusher of this bad advice. The fund has now backed away from its former position, but not far enough.

The problem is one of proper sequencing. Too many emerging-market countries rush to open up their capital markets too soon—before, for example, they have proper supervisory structures in place. Full openness to international capital flows is a fine long-range goal. But the IMF should not encourage, much less require, premature liberalization. Nations should not adopt America's bad financial habits until they are rich enough to afford them. Malaysia and Indonesia clearly were not.

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Principle 4: Follow sound macroeconomic and financial policies. I have saved the platitudes for last—not because I disagree with them, but because they have been said so many times before. Most contemporary suggestions for international financial reform focus on urging countries to follow "sound" fiscal and monetary policies, to avoid large current-account imbalances, to develop strong and competent financial regulatory and supervisory structures, and to adopt various codes of good conduct in such areas as transparency, accounting standards, and bankruptcy law.

Most of the items on this list are uncontroversial in principle. Who, after all, favors unsound macroeconomic policies, opaqueness, and incompetent regulation? But things become highly contentious once you get down to specifics. I will therefore simply endorse the general approach—noting only two things. First, I would assign top priority to two of the most boring topics on the standard list: bank supervision and accounting standards. Second, although transparency—which is the current rage—is all to the good, no one should expect it to accomplish very much in the way of crisis prevention. Bubbles form and burst even in extremely transparent markets like the New York Stock Exchange.

REDESIGNING THE FIRE-AND-RESCUE SQUAD

NO MATTER how sound the new policies, accidents will happen and financial crises will occur. When they do, the IMF must remain the world's designated fire-and-rescue squad. I see no need to reassign the task and certainly would not want the IMF abolished. If that were done, the world would soon reinvent a similar institution from scratch. But the IMF's modus operandi needs significant change. Critics charge that the fund has sometimes aggravated crises rather than mitigating them. Although exaggerated, such criticisms contain important elements of truth. So what should IMF crisis-management teams do differently?

Principle 5: Austerity is not always the right medicine. One common criticism holds that no matter what the problem, austerity always seems to be part of the IMF's proposed solution. As a former central banker, I well understand that fiscal and monetary orthodoxy have

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their place. But that place is not every place. For example, tighter budgets and slower money growth helped much of Latin America in the 1980s, when irresponsibly large budget deficits financed by money creation had fueled inflation. But the fund was wrong to prescribe austerity in southeast Asia in 1997, when neither budget deficits nor high inflation were part of the problem. Indeed, the IMF itself has all but acknowledged this error.

The new system must give greater weight to the social safety net.

The standard rationale for imposing fiscal and monetary stringency is, of course, to defend a fixed exchange rate—just as was done under the old Bretton Woods system and the gold standard before that. The IMF regularly answers critics of its tight monetary policies by scoffing at the notion that lower interest rates will help defend a currency from speculative attack. They won't, of course, but that is precisely the point. If currencies were allowed to float, there would be no pegged rates to defend, and hence much less need for crushingly high interest rates. Furthermore, killing a nation's economy hardly seems the best way to bolster confidence in its currency. It didn't work very well in Asia.

It is high time the IMF recognizes that the global macroeconomic situation in the late 1990s differs fundamentally from conditions in the 1970s and early 1980s. In particular, inflation—which was the bane of the 1970s and early 1980s, and the other rationale for austerity—is no longer a problem. Instead, a worldwide shortage of aggregate demand has emerged as the world's premier macroeconomic malady. Programs that force austerity everywhere aggravate this problem rather than ameliorating it. In a world with floating exchange rates and low inflation, fiscal and monetary austerity ought to be prescribed far less. Not never, just less frequently than is the IMF's current habit.

Principle 6: Devote more resources to protecting innocent bystanders. As I stated at the outset, the new financial architecture needs to give greater weight to developing and strengthening the social safety nets that shield innocent bystanders from the fallout of financial crises. This idea is not alien to the IMF's way of thinking. But neither is it central. The fund pays inadequate attention to the protection of innocents—compared, say, to the protection of creditors who may have made ill-considered loans.

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The IMF, we are assured, always strives to preserve social spending. But let's think realistically about what happens to a country in crisis. Mexico, Brazil, or any of several Asian countries can serve as examples. The government sees its tax receipts falling due to a recession. The interest rates it must pay on its outstanding debt soar. In addition, it will probably have to shoulder the budgetary burden of a major banking bailout. Now the IMF team arrives, demanding that the overall budget deficit be cut. How, in these circumstances, can the country increase transfer payments to its poor and its unemployed? The answer is obvious: It probably cannot, and so the needy suffer from budget austerity.

A reformed IMF, working in conjunction with the World Bank and regional development banks, should ensure that foreign creditors are not bailed out while local populations drown.

Principle 7: Agree on some procedures for orderly debt settlement. Financial crises typically mean that some beleaguered entities—be they governments or private businesses—cannot pay all their debts. When this occurs, an obvious question arises: Who will get paid, and how much? In the aftermath of the 1994–95 Mexican crisis, the G-10 deputies issued a report that suggested, among other things, that some sort of orderly workout procedure for resolving conflicting claims might be preferable to the current system, in which each creditor grabs whatever he or she can get. The underlying idea was the same one that motivates domestic bankruptcy laws: Assets lose value in a mad scramble, so a more orderly procedure for apportioning losses might leave both creditors (as a class) and debtors better off. Furthermore, the IMF does not have the financial means to ride to the rescue time and again.

Unfortunately, the private sector was singularly uninterested in any such proposal in 1996, and the idea died. But I was glad to see one of last fall's reports by the G-22 (a committee of nations working to strengthen the international financial system) revive this suggestion—with a greater sense of urgency. By now, the world has experienced several additional financial crises, each with its own disorderly scramble for an inadequate pile of assets. One might hope that these unhappy experiences, plus the realization that the IMF has limited funds, would have convinced some private creditors that orderly workout arrangements are preferable to the status quo. But, alas, this does not appear to have happened.

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There are many ways to solve this problem. Collective action clauses in bond contracts—which, for example, might allow bondholders' committees to make decisions about restructuring—are one. The clever proposal by Willem Buiter (a member of Britain's Monetary Policy Committee) and Anne Sibert (an economist at Birbeck College in London) for mandatory rollover of debt, but at a penalty rate, is another. The private sector must be intimately involved in designing this aspect of the new architecture. Debt workout provisions should not be dictated by governments against the wishes of private investors, lest credit markets dry up. But national governments and the IMF can and should push things along. For example, G-7 nations could lead the way by incorporating collective action clauses in their own sovereign bonds.

Principle 8: Prevention is better than cure. Recent economic history amply demonstrates that, once a country has been devastated by a financial crisis, there are no good options. The economic and social costs become enormous; it is devilishly difficult to restore growth. It is therefore imperative to find a way to deter speculative attacks on countries with sound fundamentals.

Under the traditional approach, rich countries and the IMF come to the rescue only after a poorer country has collapsed in financial ruin. Thus much of the house burns down before the fire brigade arrives. But the financial world of 1999 moves to a much faster beat than did the world of 1944, or even 1973. So the new global architecture should offer protection to countries that follow sound policies, before they collapse. One good way to do so would be to put enough international money on the table in foreign reserves to scare speculators away. If the idea worked flawlessly—which, of course, it will not—no money would ever be spent. That is the essential idea behind the IMF's newly instituted and experimental contingent credit lines (CCLs).

Unfortunately, implementing this idea effectively is extremely difficult. Among the thorny issues to resolve are, what criteria will be used to decide which countries prequalify for international assistance and which do not? What happens to the countries that fail to make the grade—are they just left to the financial wolves? And what happens when a country that was once prequalified slips and falls below the standards? Wouldn't defrocking it invite speculative attack?

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Although many details need to be worked out, I offer the following two-part answer to these questions. First, the principles discussed earlier—including sound macroeconomic and financial policies, a flexible exchange rate (or very good reasons to fix it), and little borrowing in foreign currency—are a good place to start compiling a list of IMF "dos" and "don'ts." Indeed, the IMF's recently published guidelines for the CCLs embody such a list already.

Second, prequalification should not be treated as an either-or question, as the fund has been doing. Finer gradations need to be made. The most worrisome aspect of the prequalification idea is that markets might react violently when a country crosses the line from being prequalified for IMF assistance to being unqualified. But no such bright line exists in well-functioning credit markets. When they operate smoothly, financial markets gradually impose higher interest rates and stricter terms as a borrower's creditworthiness deteriorates. Only when panic sets in—which, unfortunately, seems to happen all too frequently in emerging markets—do markets resort to all-or-nothing evaluations. The IMF's prequalification plan should emulate orderly markets, not panicky ones.

How can this be done? As part of its regular surveillance procedures, the IMF could classify member nations into several categories—much as rating agencies do now. The ratings would be based on the sorts of criteria discussed earlier. In case of a contagious crisis, countries in the highest class would have unquestioned access to sizable amounts of IMF lending, with few if any conditions, at near-market interest rates. The next highest class would face less credit availability, more conditions, and higher rates—and so on down to the lowest-rated class, which would have no guarantee of support. They would have to apply to the IMF in duress, as at present.

Although there are difficulties with such a scheme, perfection is not required. Since a workable prequalification system might prevent some crises and mitigate others, the potential gains from getting one in operation are large enough that the details—difficult as they may be—should not be allowed to stand in the way. The billions of innocent victims of future crises, many of them desperately poor, should not be asked to wait until the perfect design is found.

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EIGHT IS ENOUGH

IT WOULD be conceit to claim that all eight principles of my suggested financial architecture must be held together as a package. In truth, it is possible to mix and match them—and the first two (floating exchange rates and less foreign-currency borrowing) are far more important than the rest.

But the list has a certain internal integrity: one principle supports and reinforces another. For example, borrowing in foreign currency would be both less alluring and less dangerous if exchange rates were allowed to float. Less-open capital markets in developing nations and a workable IMF prequalification plan should reduce the incidence of crises. Floating rates and the IMF reforms suggested here would reduce the need for fiscal and monetary austerity—and that would, in turn, ease the plight of the poor and unemployed, reducing the strain on social safety nets. Orderly workout procedures and more social spending would limit the economic devastation when crises hit. And so on.

None of the eight principles is revolutionary; you have probably read all of them (or variants) before. But together they constitute an agenda that is ambitious yet eminently achievable. And if instituted, they will make the financial world a far safer place—helping not just market players, but the billions of people who unknowingly depend on them and suffer from their failures.

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Russia's Collapse

Anders Åslund

WINNER TAKES ALL

RUSSIA'S ECONOMY remains precarious after the August 1998 financial collapse. Gross domestic product fell by 4.6 percent last year and may fall by another percentage point in 1999. Except for 1997, GDP has decreased every year for the past decade, with an accumulated decline since 1991 of 40 percent. Inflation rose to 84 percent in 1998 and remains high. Yet Russia may have finally passed its nadir. Industrial production will likely increase significantly this year, and the fastest-growing industries are not raw materials but machinery, forestry, textiles, food, and construction materials, suggesting a qualitative change. Western policymakers should resist the urge to just throw more money at Russia and instead rethink what the West can and should do to help.

Many argue that Russia fared badly because its "shock therapy" reforms were too fast and radical. But all measures show that Russia's economy is not very liberalized, and the financial collapse made it obvious that Russia's problems were actually caused by reforms that were too slow and partial. A small group of businessmen enriched themselves and then corrupted many of Russia's politicians and officials. They have all conspired to stymie liberal economic reforms, which would stimulate growth and help the overall population, because reform threatens their domination. Russia suffers not from too free a market but from corruption thriving on the excessive regulations erected by a large and pervasive state. Russia's tragedy is that reformers never had enough

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power to overrule these avaricious interests. Joel Hellman of the European Bank for Reconstruction and Development characterizes the problem of partial reform as "winners take all."

Russia is no longer a mystery; it is more open than ever. Anyone who has visited a Russian enterprise recently understands why the economy is shrinking. Tax legislation is contradictory and full of loopholes, and many collectors work beyond the law. Russia has about 200 different levies, most of which hardly reap any revenue but create red tape for businesses. The taxman collects as much as he dares, taking a lot from small enterprises without political connections and little from big, powerful companies. Although fundamental tax reform has been urgently needed for years, it has been blocked by influential businessmen who now pay little or no taxes.

These big businessmen also benefit from Russia's arduous regulations and pitiless inspectors, which limit competition but do not impede the powerful. An ordinary Russian firm is inspected almost daily by one of the 67 different government agencies engaged in business supervision. These agencies' real interest is in extorting bribes. Between 1992 and 1998, when Viktor S. Chernomyrdin was prime minister, the Russian state expanded by 1.2 million bureaucrats—almost two percent of the total labor force. Their ubiquitous interference has limited legally registered enterprises to just 1 per 55 people, whereas Poland, Hungary, and Western countries have about 1 per 10 people. This lack of competition brings high prices and poor supply.

THE RICH GET RICHER

RUSSIA'S ELITES started making their fortunes in the Soviet Union's last years, mostly from three sources: commodity exports, subsidized credits, and food imports.

The best way to make a killing between the late 1980s and 1993 was to buy commodities such as metals or oil at low, state-controlled prices in Russia and then sell them abroad at world prices. In early 1990, for example, the Moscow free-market price of a package of Marlboro cigarettes was 30 rubles—exactly the same price as a ton of crude oil. This lucrative opportunity was the result of Mikhail S. Gorbachev's partial liberalization, which let thousands of enterprises

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pursue foreign trade. In 1988, state enterprise managers were allowed to set up private cooperatives for arbitrage with "their" government-owned businesses. Managers of state oil companies bought oil from their enterprises privately, extracted export licenses and quotas from corrupt officials, and sold the oil abroad at the market price.

In the first months of 1992, under the leadership of Deputy Prime Minister Yegor Gaidar, the reformers tried to end this rampant embezzlement by freeing Russia's commodity prices and exports. The state energy lobby, led by Chernomyrdin and supported by the Communists, resisted ferociously. Hypocritically, they argued that Russia's industry would collapse if it faced world market prices. The business elites and their political allies won. Chernomyrdin succeeded Gaidar's liberal minister of energy in May 1992 and soon supplanted Gaidar himself. In 1992, the Russian price of oil was still one percent of the world market price. A few state enterprise managers, government officials, politicians, and commodity traders amassed no less than $24 billion, or 30 percent of Russia's GDP, in this peak year of gains from commodity trading. These profits gradually dwindled. Eventually, the reformers succeeded in deregulating commodity prices, but only after managers had extracted billions of dollars from their state enterprises.

Business elites had an alternative way of making money in the early 1990s: cheap credits from the Russian Central Bank. Under the Soviet system, interest rates had no economic function and were fixed at three percent a year. Reformers failed to gain control of the Central Bank, which was supervised by the old semidemocratic Supreme Soviet, after communism's fall. The Supreme Soviet's chair, Ruslan Khasbulatov, pressed hard for cheap credits and triumphed. In 1992, while inflation was 2,500 percent, the bank issued credits at 10 or 25 percent a year. A credit from the Central Bank was simply a gift. The man who distributed the most gifts was Viktor Gerashchenko, the chair of the bank. He made himself so popular with his generous presents at the Russian public's expense that his friends made him chair for the third time in September 1998.

In 1992 alone, the net credit issue of the Central Bank of Russia was 32 percent of GDP. Although the fortunes thus gained were more dispersed than those from commodity exports, many Russian bankers became rich. The bankers argued that the credit was a "Keynesian"

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CORBIS-BETTMANN

Wild and crazy guys: "New Russians" at play, Moscow, 1990

boost for industrial production, but Russia's production actually plummeted in the wake of the hyperinflation caused by the easy credit. Only in late 1993 did the reformers manage to end this pilfering.

A third way of making big money in the transition period was through food-import subsidies. In the winter of 1991–92, the fear of famine was very real. The reformers thus had no chance to abolish the existing subsidies for food. A food importer paid only one percent of the going exchange rate when purchasing essential foods from abroad, but could resell them relatively freely on the domestic market and pocket the subsidy. These imports were paid for with Western "humanitarian" export credits that were added to Russia's state debt. Total import subsidies were 17.5 percent of Russia's GDP in 1992. These profits were highly concentrated, benefiting a limited number of traders in Moscow who operated through the old state agricultural monopolies. The main actor was Roskhleboprodukt, a company that arose from Stalin's old Ministry of Grain Procurement, and one of the

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instigators was the prereform deputy prime minister for agriculture, Gennady Kulik. He returned to that post in September 1998 to take care of renewed Western food aid, also to be channeled through Roskhleboprodukt.

Altogether, the gains from these three parasitic business activities amounted to no less than 79 percent of GDP in 1992. Most of the profits were highly concentrated among a small elite. And all these massive private incomes were derived from the government, either directly from subsidies or indirectly through regulations. The rise of the oligarchs was a direct result of slow and partial reforms. If commodity prices, exports, and imports had been deregulated in 1992 and if market interest rates had been allowed to prevail, these fortunes would never have been made. Russian enterprises would have been forced to restructure to survive, as happened in Poland and Estonia. Instead, Russia moved swiftly from an income differentiation similar to Europe's to one reminiscent of Latin America's.

DID REFORM FAIL?

ONE OF the few important steps that reformers actually managed to take was privatization. Strangely, this single reform is often blamed for all of Russia's misfortunes. Shares of nearly all big enterprises are traded on Russia's stock market, making it a good indicator of the market value of public companies. At the market's peak in 1997, all of Russia's enterprises together had a market value of only twenty percent of GDP; today they are worth five percent of GDP, and the GDP is half as large in dollar terms. The managers of the companies then owned about one-fifth of their stocks. Thus in total they obtained at most four percent of GDP from privatization, a trifle compared to the profits made through regulated exports, subsidized credits, and import subsidies.

Privatization was blamed for several reasons. First, since it was the only open and transparent transfer of wealth, everyone saw it, whereas they could not see the far larger financial flows. Second, few noticed that the oil managers had become tremendously wealthy before privatization and had actually resisted it, or knew that bankers used wealth gained from subsidized credits and commodity trade to buy

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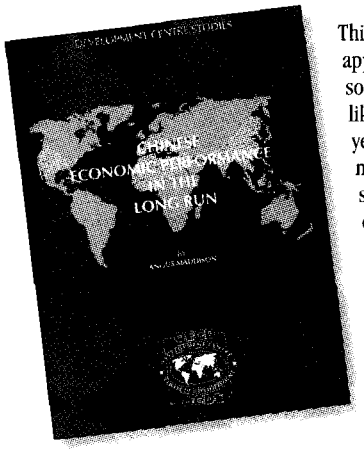
Chinese Economic Performance in the Long Run

by Angus Maddison



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enterprises. Finally, the reformers had unwisely boosted popular expectations of gains to facilitate privatization politically, which ultimately aroused disappointment. People tend to overestimate the value of huge smokestacks—who can really fathom that Microsoft is worth more than General Motors? Few realized that old Soviet enterprises were of little or no value, so people suspected that somebody else had stolen their share.

Reformers unwisely boosted hopes of gains from privatization.

The loans-for-shares deals at the end of 1995 were a scandal that blemished First Deputy Prime Minister Anatoli Chubais and damaged the reputation of large-scale privatization. A few large banks were allowed to privatize some large enterprises in auctions they themselves controlled. In fact, only 15 large enterprises were involved and in some cases sold only a small share of their stock. But a few huge cash cows did change hands, most notably three big oil companies: Yukos, Sibneft, and Sidanko. No qualitative change accompanied these takeovers. The new majority owners did not behave like self-interested proprietors but just continued the management theft, primarily by selling the products below market prices to their own trading companies, letting the old state companies deteriorate. After a short-lived boom, these companies' values fell below their low purchase prices. For instance, Norilsk Nickel, the large metal company, was long worth less than what Oneximbank paid for it in a 1995 noncompetitive deal. In 1998, the big new "capitalists" showed yet again that they could not care less for the market value of their enterprises. Many minority shareholders responded by selling off their holdings. The Russian stock index consequently dove 94 percent from its peak in 1997. After the financial crash, these businessmen attempted to extract more money from the state—fortunately, there was little left to take.

Clearly, privatization has not caused Russia's economic problems. Privatization's severest critics have always been those very elites who seemed to profit from it, since the emergence of real private property rights threatens their state-oriented way of making money. The problem is not that businesses are formally private but that state officials' extensive and arbitrary interventions severely limit private property rights. It

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is difficult to talk about truly private ownership when the Communist opposition keeps most land state-owned. Russia's greatest problem is that a few operators have made fortunes on inconsistent government regulations and subsidies. True, widespread corruption in the late 1980s sealed the fate of the Communist dictatorship and facilitated its peaceful end, as many members of the elite became more concerned with creating their own wealth than with promoting socialism. But the Soviet directors made so much money that they soon bought the state. Today, the Russian bureaucracy, government, parliament, and regional governments are deeply corrupt.

But though privatization has not been as successful as the reformers hoped, some positive changes have been implemented. Many Soviet-era managers have been replaced, which is often a precondition for restructuring. (This failed to happen in post-Soviet countries with little privatization, such as Belarus and Ukraine.) Thirty-three percent of the managers at privatized Russian enterprises were replaced between 1992 and 1996. A recent broad survey shows substantial market-directed restructuring, although this process has been much faster in countries with more radical reforms. And the privatization might eventually generate more important and widespread positive results. After all, Russia now sports 2.7 million legally registered private enterprises. After the first crop of corrupt big businessmen has lost most of its money, a second echelon of businessmen that have actually made money on entrepreneurship may arise.

TOO BIG AND TOO NUCLEAR?

RUSSIA'S CURRENT tragic situation—corrupt politics, bankrupted economy, enormous debts—was not inevitable, but its probability was always great. A 1997 World Bank paper shows that the worse the initial conditions are for reform in a postcommunist country, the more likely reform will fail. Good policies, however, can overcome adverse preconditions. Countries that undertook massive reforms in spite of all difficulties, such as the Baltic states, Georgia, and Kyrgyzstan, have reaped the greatest rewards. Therefore, Prime Minister Gaidar and his reform government were anxious to reform Russia's economy radically before the resistance got organized.

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Western countries had one big chance to make a difference, at the beginning of 1992. The West, especially the United States, enjoyed enormous goodwill and influence in Russia. It should have used this power to push for all the measures necessary for Russia's complete economic reform—liberalization of commodity prices, deregulation of exports, unification of the exchange rate, and establishment of market interest rates—which are standard elements of any International Monetary Fund (IMF) program. President Boris Yeltsin appealed to the West for help, but in vain. The IMF concluded a *minor agreement in July 1992, but by then* Russia's reformers had already been defeated, in part because they had counted on the West's help. Instead, Western countries were preoccupied with securing repayment of the Soviet debt. Rather than providing money for reforms, they gave credits to dubious commodity traders.

Russian businessmen thought foreigners asked to be robbed.

A remorseful West has repeatedly tried to make amends for its initial lack of action. But its support, primarily through the IMF, has gone to far less reformist governments, and the results have been mixed. The high point of the IMF's engagement in Russia was in the spring of 1995, with an agreement that halved the budget deficit to five percent of GDP and augured low inflation. Chubais ran economic policy so skillfully in 1995 that he cut budget subsidies by seven percent of GDP. In January 1996, however, he was ousted and no senior reformers remained in the government. Even so, in the spring of 1996 the IMF provided a $10 billion loan program over 3 years, although the government was not committed to any reform. The political purpose of this IMF credit was obvious to everybody: helping reelect President Yeltsin in the face of a potent Communist threat. The IMF lost its economic credibility.

To Russians and foreign investors alike, the signal was clear: Russia was too big and too nuclear to fail. This encouraged an excessive inflow of foreign portfolio investments. In 1997, they amounted to $46 billion, or over ten percent of GDP—far more than Russia could absorb. The consequences became evident on August 17, 1998, when Russia suffered a cataclysmic crash. The government defaulted on its treasury bills and declared a 90-day

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moratorium on foreign debt payments. The ruble has since been devalued to one-fourth its original value.

SLOW-MOTION COLLAPSE

THE STRANGE thing about the Russian financial collapse is that it was clearly underway from October 1997, when the stock market fell 20 percent in a day, and yet did not provoke sufficient policy changes. Interest rates repeatedly exceeded 100 percent annually, although inflation only ran around 10 percent a year. The crisis was discussed for months, and the crucial statistics were widely available. The Russian administration, the IMF, and the West all pushed for the same package of sensible policies, which was presented to the Duma in July 1998. The Duma, with the support of most of the business elite, coldly rejected it, pushing their country over the brink into a financial abyss.

Why did the business elite want to kill the crisis-relief package? They were hardly ignorant of the consequences. Partly, the answer is that their whole business experience had encouraged and rewarded them for gambling on the margin; they had learned to call bluffs. Since they had made most of their money by cheating the state, Russian national interests were not a compelling argument. Another explanation is that the top Russian businessmen were used to switching sources of revenues swiftly. To them, each game was played only once. If they deterred some Western investors, they presumed new ones would appear. The majority owners of the oil companies Sidanko and Sibneft, for example, had made much of their money by diluting minority ownership in 1997 and 1998. Yet British Petroleum and Elf Aquitaine still attempted to buy ten percent of their shares. Within these Moscow business circles, a good reputation meant not honesty but crookedness. Finally, many Russian businessmen had learned that foreign investors were people just asking to be robbed. The 1997 foreign investment inflow was so huge that some tycoons concluded they had better take the money while they could. No law could have secured these massive inflows. Total foreign stock ownership in Russia peaked in late 1997 at about 30 percent of market capitalization—about $30 billion, or 7 percent of GDP. These poorly defended assets were too tempting for many Russian businessmen.

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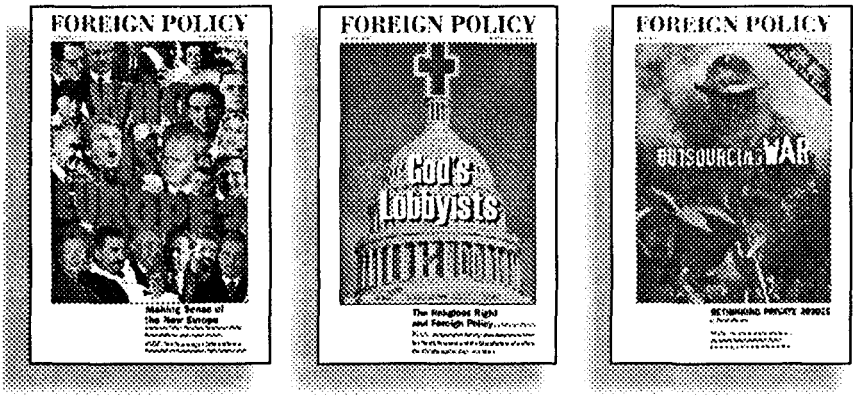

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Government bonds were hardly better. In July 1998, at least $25 billion of the $70 billion of outstanding Russian treasury bills—some six percent of GDP—was held by foreigners. They provided revolving credit to the Russian government, easing Russian enterprises' need to pay taxes but still permitting them the cake of government subsidies. Private and regional bond issues were even worse, with poor guarantees of repayment. In addition, influential businessmen boosted interest rates by inciting the ruble's destabilization. As long as the ruble did not actually collapse, this was a profitable gamble, with real returns reaching 100 percent a year. Although IMF and World Bank funding was supposedly conditioned on economic reform, those who benefited from state intervention often managed to block liberalization, sometimes after the international loans had arrived. The IMF seemed to be there to be cheated.

The financial crash, however, brought huge losses to almost all the big Russian businessmen. They had been amazingly successful in finding new ways of living off the state, but their annual revenues had declined since 1992. The tycoons looked increasingly reckless, desperate, and acrimonious. In July 1997, open privatization bidding for the telecommunications company Svyazinvest triggered a particularly fierce struggle between some of the biggest businessmen. As Andrei Shleifer of Harvard and Robert W. Vishny of the University of Chicago have observed, the best way of fighting corruption is encouraging competition in bribery. August's financial crisis was a logical outcome of the oligarchs' war, as they tried to maintain their high and dubious incomes by any means. In the end, the Russian state could no longer deliver enough cash to satisfy their ravenous appetites. The crash radically reduced the amount of money that could be made on the state—and thus the power of the corrupt businessmen.

SAVING PRIVATIZED RUSSIA

A TELLING JOKE is making the rounds in Moscow: There are two ways out of the Russian economic crisis: the natural and the miraculous. The natural way is that the archangel Michael and all the angels come down to earth and work 12 hours a day to save the Russian economy. The miraculous way is that the Russians do it themselves. In the same spirit, big billboards announce, "Nobody will help Russia apart from ourselves."

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Russians largely realize that the days of easy money are over, that the outside world will not help them out, and that the only solution to economic hardship is hard work. Previously, few discussed the future, but now the time horizon has suddenly been extended. Another joke has the Russian power utility announce that the light at the end of the tunnel has been turned off temporarily for lack of fuel. Whereas Russian wisecracks during the early 1990s concerned the newly rich, they now feature newly poor bankers. Russia has grown more serious.

I had heard the anecdote about the archangel Michael before—in Poland, after martial law was introduced in December 1981. The grim atmospheres in Poland then and Russia now are strikingly similar. Whatever people say about the failure of economic liberalism in Russia, most Russians know that the only viable option remains a reasonably normal market economy. Even the Communist politicians accept it. As in Poland in 1981, however, that outcome seems politically impossible in today's Russia.

Still, Poland could be an illuminating example. It is now a stunning economic success, with a steady growth rate of five to six percent a year. Transparency International shows that it is one of the most honest countries in central Europe, after Estonia. Few remember Poland's reputation for being the most corrupt country in the region in the late 1970s. Members of the elite enriched themselves at state expense with few inhibitions. Poland abounded with explanations for why Poles were so dishonest, ranging from pervasive Catholicism to the state's lack of legitimacy because of persistent foreign occupation. It is amazing how fast historical legacies can change, but Poland suffered two severe financial crashes on the way.

In a decade, the West might realize that Russia is one of the oldest nations with one of the strongest cultures in Europe. It has heretofore suffered from one serious anomaly: the extreme dominance of the state. Future analysts might consider it self-evident that once that domination disappeared, as it now has, a newly dynamic Russia would flourish. And Russians continue to enjoy high levels of math and engineering education—the backbone of the Internet world.

An important part of the explanation for Poland's turnaround is that Poland then—like Russia now—had such ferocious competition in bribes that they began to decline. Rational people who wanted to

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make money turned to the market instead. Over the course of the 1980s, ordinary Poles learned how their society actually functioned and a majority opted for change. With a reformist majority elected to parliament in 1989, radical reform became possible in Poland. One can only hope that the Russian electorate comes to similar conclusions.

TRADE, NOT AID

THE RUSSIAN experience shows that it is not enough to have a brief reformist government and an intermittently proreform president. Consecutive Russian parliaments have continuously voted against serious market liberalization; real reformers were in power only from November 1991 to June 1992. The barrier to reform has never been the people or the workers, who have been exceedingly complacent. The threat has always come from elites who want to live on corruption—and the best way of controlling them is through effective democracy. President Yeltsin missed the opportunity to call early parliamentary elections in 1991–92 and transform the Democratic Russia movement into a real political party.

The financial breakdown caused tremendous suffering in Russia, but such a shock can mark a turning point. One instant change was a sharp reduction in income differentials, since the prime victim of the crash was the new financial sector. The most apparent effect was a backlash against the market liberals in the government, who should have resigned in July after the Duma rejected their tax and reform legislation. The best they can do is organize a broad political party for the distant future, as they are now doing.

The much-feared political backlash, however, now appears surprisingly insignificant. On May 12, in full constitutional order, President Yeltsin dismissed Prime Minister Primakov and replaced him with Sergei Stepashin. Yeltsin's boldness forced the Communists to unleash the long-held threat of impeachment, which failed to carry the Duma. Yeltsin and Russia's centrist forces thus won three victories for political stability and democracy in one week. Similarly, the expected retreat in economic policy never occurred. The Communist ministers under Primakov had big ideas about massive regulations and new credit but they accomplished little. Their plans were leaked to the

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press and ridiculed. In the end, Primakov's economic program was remarkably similar to those of previous governments. Stepashin looks set to differ even less from his predecessors, as he has yet to formulate independent economic policy. Russia thus appears to have reached a stable political consensus around moderate market reforms.

The financial meltdown had important effects on the real economy. Total state revenues have fallen from a steady 32 percent of GDP to about 28 percent. Rather than being concerned, the West should welcome the inevitable reduction in public expenditures. After all, as a share of GDP, Russian state revenues were as large as those of the United States even last year. Lower real taxes will diminish the value of the privileged's tax exemption and make it easier to cut the overall tax rate. Unwarranted public expenditures will have to be cut by about 5 percent of GDP. This should not hurt the poor. A study by the Russian Ministry of Labor and Social Affairs last year showed that 70 percent of social transfers go to the wealthiest 30 percent of households. Smaller and correspondingly more transparent public expenditures could be more easily targeted to the most needy. Lower state revenues have already forced cuts in the bureaucracy and will facilitate deregulation, letting businesses function better. Radical tax reforms elsewhere in the region occurred in countries such as Georgia, Kyrgyzstan, and Kazakhstan only after tax revenues had collapsed. Most important, there would be little money to be made on state interventions. Smart businessmen will turn to the market, as their Polish colleagues did in the 1980s.

At long last, business restructuring and new product development appear to have caught on. Moscow shops have been suddenly flooded with good Russian produce, in many cases last seen in the 1960s. Barter is abating, from 54 percent of industrial firms' sales in August 1998 to 46 percent in January 1999. Major companies paid 49 percent of their February 1999 taxes in real money, compared with only 35 percent last August. Bankruptcies have multiplied, forcing malfunctioning companies out and allowing good companies to thrive. Profitability is improving. The financial crisis imposed hard budget constraints on both businesses and governments, which pushed them to achieve real economic growth.

If Russia is to be cured, the elite must be forced to continue facing strict budget constraints. Russia must not be tempted again with easy

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money. As foreign capital constituted the last big wave of financing, the West, including the IMF and the World Bank, should be careful not to ease the external financial constraints too quickly. But the ruble's devaluation has sharply cut imports and turned around Russia's external finances. The country is likely to enjoy a $25 billion trade surplus and a $15 billion current account surplus in 1999. Russia is therefore unlikely to default on its external debt, even if it receives no IMF or World Bank funding this year. Poland's experience in the 1980s is instructive. It received no new Western funding but was not cut off from ordinary business. The country also benefited from millions of Poles traveling, studying, and working in the West—opportunities that Russians should have. Western policy today must maintain the maximum possible openness for trade and all kinds of exchanges but disperse a minimum of financing as long as serious reforms are not in evidence. Debt relief should be concluded only after fundamental economic reforms. The Russian stock index has tripled since October 1998, indicating that there is renewed reason to worry about too much foreign portfolio investment too quickly.

Russian politics remain in flux, but the recent government crisis demonstrates that a large center now dominates. The next parliamentary and presidential elections will likely produce a more centrist parliament, with strong regional representation. A centrist will likely be the next president, who will be weaker than Yeltsin and cede more power to the parliament and the regions. This will promote greater democracy. Although the serious problem of rampant corruption remains, Russian media do a fine job of exposing it, and dwindling state resources leave less to be stolen.

Russia is slowly waking up after a tremendous trauma. With any luck, this economic shock has triggered a fundamental change in social values, but any such change will take years to complete.

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Learning to Love the WTO

Marcus Noland

CLUELESS IN SEATTLE

As the WTO gears up for its biannual ministerial meeting this November in Seattle, American trade policy is adrift and under siege. From unions and corporations seeking protectionist favors to idealistic nongovernmental organizations (NGOs) battling for the environment, special interests are trying to sideline Washington and increase their own leverage within U.S. trade policy. Neuralgic American isolationism from both left and right continues to resist U.S. participation in the World Trade Organization, while traditional allies like Europe balk at what they see as America's unilateralist arrogance in settling disputes.

Washington must revive its traditional commitment to trade liberalization across the globe. Opening new markets and slashing trade barriers should remain its top priority. The United States should vigorously support the continued liberalization of agriculture and services that began in the 1992 Uruguay Round trade negotiations and press for further tariff-slashing in manufactured goods. It should also push the WTO to rein in antidumping laws and develop a coherent antitrust policy to tackle trade disputes.

Most important, the United States must remember that the advent of the WTO has radically changed today's trade environment. However well robust unilateral sanctions against protectionist nations may once have served American interests, the playing field has now become more level. Instead of using its economic muscle to pry open markets

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unilaterally, the United States now must work within multilateral institutions to advance liberal trade and rebuild trust among partners. Just as important, it must address the challenge posed by the new unilateralists in the American debate: the NGOs. Washington should adopt a multilateral strategy to accommodate the environmental and social issues encroaching on the trade debate without letting their interest-group patrons hijack the U.S. trade agenda. The best way to do this is by encouraging other international bodies to tackle the host of new issues and discourage the haphazard use of trade policy to promote these concerns. Only then can the WTO remain free to focus on liberalizing trade and settling disputes rather than, say, saving sea turtles. And the NGOs will find more appropriate forums for their agendas without distracting Washington or the WTO.

Ideally, Washington should support a two-part deal that recognizes a role for other international institutions and forswears unilateral extraterritorial action. For the first part, the United States could help establish multilateral institutions (or support existing ones) that work on environmental, labor, and human rights issues; it could also help alter WTO rules to permit certain trade restrictions as part of these new institutional enforcement mechanisms. For example, a global environmental organization (called, say, the GEO) might conclude that saving sea turtles warranted action. If a member country threatened their survival, the GEO could offer a menu of sanctions (travel and trade restrictions, embargoes, etc.) that other countries could chose to enforce without violating WTO and GEO obligations. At the same time, member countries (including the United States) would not be allowed to apply trade restrictions to support domestic laws that are not part of the global regime.

The WTO can offer several advantages for U.S. trade policy—if Washington seizes the initiative. First, it has already created an explicit regime for clarifying the rules of the game in settling trade conflicts. Although a country can still try to exploit legalistic loopholes, the WTO has proven in many cases—including the notorious transatlantic banana dispute—that it can serve as a relatively objective judge and jury. That point ties in with a second advantage: because the WTO is a genuinely multilateral body, other countries do not view it as a proxy for American interests. Hence Washington can advance its liberalization agenda

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and settle disputes within the WTO without sparking anti-Americanism abroad. Last, the United States should use the WTO to keep its trade policy distinct and protected from the maneuverings of domestic interest groups. Big money and hot-button issues can manipulate trade strategy at home, but their sponsors will find Geneva far more difficult to manage.

The Seattle ministerial meeting will give the United States a chance to frame the agenda for the next round of global trade negotiations. But it also poses a risk of becoming the venue for a high-visibility conflict between Washington, NGOs pressing for their own agendas, and a world generally reluctant to play by American rules. To make matters worse, Washington is suffering from a severe case of policy drift—a problem made most painfully clear in the Clinton administration's unwillingness last spring to conclude a WTO agreement with China, which had been negotiating for 13 years to enter the organization. Intimidated by a coalition of traditional protectionists and new human-rights constituencies, the administration turned down a far-reaching Chinese offer so Clinton could avoid a fight with Congress. Although the administration has said it will continue negotiating with the Chinese and aims for a deal by November, success is by no means guaranteed.

THE PROTECTIONIST THREAT

ONE OF THE GREATEST obstacles to a liberal American trade policy is the protectionist response to the ballooning American trade deficit. Robust U.S. growth—especially relative to Asia—has driven the trade deficit to unprecedented levels. Although the rate of overall U.S. growth will probably decelerate later this year, relatively high demand for foreign goods will force the American trade deficit to expand even further. The 1998 trade deficit set a record at $248 billion and will likely exceed $300 billion in 1999. In turn, growing trade imbalances amid slowing growth could affect U.S. political responses to the global financial crisis, especially if the U.S. economy cools down enough to drive up unemployment. Past behavior suggests that the growing U.S. trade deficit will spark increasing trade-policy activism. This has already happened in the steel industry, as administration

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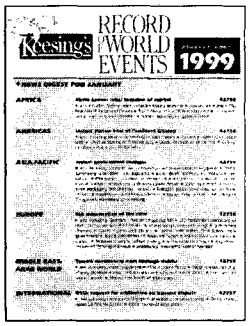

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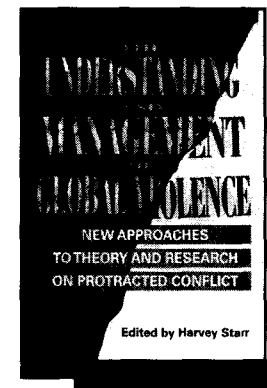

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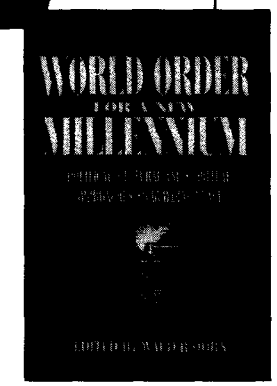

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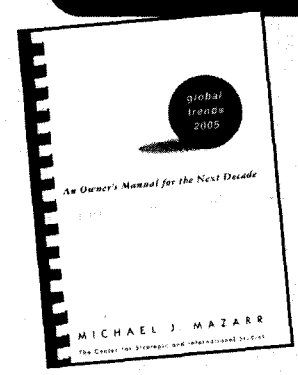

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officials increasingly call on Japan and others to cut their exports of cheap steel to the United States. Although a congressional attempt to restrict steel imports failed in June, the United States is poised to slap large punitive tariffs on imports from many countries through anti-dumping action. And history shows that the United States pays most attention to countries running large trade surpluses with America and is more likely to retaliate against those countries than against others.

Protectionist pressures are hardly new. But in facing this challenge at home, Washington has to deal with a new institution—the WTO—that has profoundly changed the nature of trade disputes abroad. Until the WTO's inception in 1995, the United States served as judge, jury, and prosecutor, ready to retaliate through Section 301 of the 1974 Trade Act if target countries did not submit to its demands. Washington was confident that the dysfunctional dispute-settlement system of the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT), could not successfully challenge U.S. actions—given that few countries were willing to risk being cut off from lucrative U.S. markets. That began to change for good in 1995, when Japan called the U.S. bluff in the automobile dispute, refused to acquiesce to U.S. market-opening demands, and threatened to duke it out in the WTO. Since then, the WTO's strengthened dispute-settlement mechanism has reduced America's ability to retaliate unilaterally, but it has also provided a fairer playing field for other countries. Moreover, it demonstrated its potential for impartiality in the recent banana dispute with the European Union (EU) when it ruled in America's favor.

NEW WINE, NEW BOTTLES

RISING PROTECTIONIST sentiment coincides with another handicap on American trade policy: the diminishing power of the president to lead the trade agenda. True, U.S. policymakers have always contended with the demands of specific industries for protection from imports. But from the mid-1930s to the 1980s, Congress effectively delegated its role to the president on trade policy; the president negotiated trade deals and Congress approved them in full. This system of acquiescence with oversight helped curb Congress' tendency to engage in protectionist logrolling by shielding its responsibility for outcomes in particular

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industries, either by subsuming tariffs into large packages or by channeling protectionist demands into bureaucracies, which used quasi-judicial remedies such as antidumping procedures.

This system began to fray in the mid-1980s under the strain of record trade deficits and growing partisan rivalries within a divided government. The system eroded further in the early 1990s with the bitter fight over the North American Free Trade Agreement (NAFTA) and the dramatic increase in new trade demands and new participants in the debate, especially unions and NGOs hostile to open trade. Today, some critics question the virtues of preferential trade agreements; others want to link trade with human or labor rights (the "social clause"), the environment, competition policy, and transborder investment. Social and environmental questions are further muddled as NGOs try to use trade restrictions to force trading partners to comply with unrelated domestic laws or international agreements. And new participants besides NGOs are jumping into the trade policy debate. In the United States, some local and state governments, as well as quasi-governmental institutions such as public pension funds, have applied economic sanctions or boycotts of their own against foreign countries.

Social and environmental protection issues emerged as hot-button political questions during the fierce debate over NAFTA and have not gone away. The original impetus for NAFTA came from Mexico in 1990, when President Carlos Salinas de Gortari sought to commit future Mexican governments to open-market economic policies. President Bush enthusiastically agreed with Salinas and proposed NAFTA to address a long-standing foreign policy problem—Mexican economic woes—while serving as a useful bargaining chip with respect to the EU in the Uruguay Round of GATT. But NAFTA generated a firestorm of opposition, especially from organized labor and NGOs. Such an agreement with a large, labor-abundant country like Mexico would have bound the United States to something approximating global free trade, and American labor unions clearly felt threatened. More broadly, an agreement with Mexico provided NAFTA opponents with an easy target, sparking latent forces of racism and chauvinism far easier to grasp than an abstract economic commitment, such as most-favored-nation treatment in GATT.

Presidential candidate Bill Clinton attempted to square the circle by rejecting the agreement negotiated by the Bush administration

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in favor of "NAFTA-plus," which would have included labor and environmental provisions and a small regional development bank, to obtain the support of key Democratic constituent groups. But even with these concessions, Clinton could muster votes from only 40 percent of House Democrats when Congress voted on NAFTA in November 1993. The legislation passed only thanks to the overwhelming majority of Republicans who supported the Bush legacy. Energized by the narrow vote, anti-NAFTA NGOs quickly broadened their agenda to oppose subsequent trade legislation. The AFL-CIO mobilized on the workers' rights issue and successfully lobbied Congress in 1997 to defeat a bill extending the president's "fast-track" negotiating authority because it lacked strong provisions enforcing workers' rights in any trade negotiation. (Fast-track legislation commits Congress to vote yes or no on an entire trade package without amendments, within a finite time horizon.) Another attempt to win fast-track failed in 1998. This series of defeats severely crippled the Clinton administration's ability to act assertively in other trade venues like the Asia-Pacific Economic Cooperation forum, the Free Trade Area of the Americas initiative, and WTO negotiations. In short, the explosion of new interest groups and the success of their agendas produced an unprecedented erosion of executive power in trade policy over the past five years.

AMERICAN TRADE POLICY AS SOCIAL WORK

IN NAFTA'S AFTERMATH, policymakers can no longer avoid the heated controversies over workers' protection, human rights, and the environment. The debate should now center around a basic question: Will provisions addressing these new issues encourage improvements abroad or just promote protectionism against imports from developing countries? But NGOs have yet to propose a concrete plan to achieve progress in these areas through trade policy. In particular, they rarely ask whether America would even find willing negotiating partners on the other side of the table. Most important, it is hard to predict how such clauses might work out in practice. But the workings of the U.S. Generalized System of Preferences (GSP), which extends duty-free treatment to some imports from developing countries, might provide an answer—at least with respect to workers' rights.

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Since 1984, a GSP amendment has permitted Washington to end or suspend duty-free treatment of imports from countries that suppress workers' rights. The AFL-CIO and human-rights NGOs have used the law's petitioning mechanism to request formal government reviews that can ultimately end GSP privileges. Although GSP applies to only a small volume of imports, such petitioning activity is intense and even targets countries not receiving GSP treatment for their exports. Although countries with a poor record of political freedom tend to be the more likely targets, the termination of GSP privileges generally fails to promote labor rights. In other words, linking trade to social issues seems to miss its aim in improving working conditions, at least in this case.[1]

To be sure, one cannot generalize from the experience of the GSP, since it excludes such large and sensitive sectors as textiles and apparel. The GSP also omits communist economies such as China. But if Washington applied the social clause provisions to all imports rather than to only the current modest share, the political outcome could be quite different. With far more at stake, the number of petitions would skyrocket. Instead of deciding on tariff treatment for a limited volume of trade, junior bureaucrats would arbitrate the terms of market access for a substantial share of U.S. imports. Given that these decisions would be based on nonquantifiable assessments of social conditions in trading-partner countries, the scope for the politicization of such decisions would be enormous.

Human and labor rights issues aside, other nontrade issues are hobbling U.S. trade policy. Environmental and trade concerns clash in a variety of ways. In the most simple case, imports can directly threaten the environment—for example, by bringing in non-native pests. But import restrictions in such circumstances are explicitly permitted. A more complicated matter is transborder pollution, which is more difficult and costly to solve with import restrictions, but not an important issue facing the United States. More significant are trade restrictions that force compliance with multilateral environmental

[1] See Kimberly Ann Elliott, "Preferences for Workers? Worker Rights and the U.S. Generalized System of Preferences," unpublished conference paper, Institute for International Economics, 1998.

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agreements (MEAs) that have no direct bearing on trade. For example, the International Whaling Convention and the Montreal Convention on Chlorofluorocarbons allow trade restrictions to force compliance with whaling and atmospheric pollution agreements, respectively, even though they have no direct connection to trade. Similar tangles could easily arise if MEAs address nontrade issues such as global warming and biodiversity.

Protectionists wrap themselves now in a green flag.

At least the MEAs are genuinely multilateral. Unilateralism is rearing its head as American import restrictions that apply U.S. domestic environmental laws to other countries grow in popularity. American protectionists wrap themselves now in a green flag. And interagency trade bodies within the government now include the Environmental Protection Agency and the National Oceanic and Atmospheric Administration, who have a say not only in environment-related trade policies but in the whole panoply of trade issues. The potential for cross-issue logrolling within the bureaucracy is quite real. To make matters worse, the EU is also increasingly using this tactic. Two examples highlight this trend on both sides of the Atlantic: the American attempt to protect dolphins through the Marine Mammal Protection Act and the EU ban on importing furs from animals caught in leg-hold traps. In both cases, the United States and Europe tried to use trade restrictions to discourage practices abroad that they happen to consider offensive—"psychological externalities." By their very nature, these issues are nonquantifiable, nonrational, and not particularly easy to negotiate.

In such instances, litigation has brought the United States into conflict with its international trade obligations. A lawsuit brought by the Earth Island Institute citing the Marine Mammal Protection Act ultimately led to GATT decisions in 1991 and 1993 against the United States. Four American NGOs—the Earth Island Institute, the Sierra Club, the Humane Society of the United States, and the American Society for the Prevention of Cruelty to Animals—used a 1989 amendment to the Endangered Species Protection Act to force the federal government to ban imported shrimp captured in nets that might also ensnare sea turtles; that ban ultimately provoked a successful WTO lawsuit by Malaysia, Pakistan, and Thailand against the United

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States in 1998. Despite NGO propaganda trumpeting victory, however, all these cases have allowed the United States to continue its normal environmental practices, effective or not, but only if it compensates the adversely affected countries by reducing American barriers to their exports or by accepting increased tariffs on U.S. exports. What the NGOs seemingly fail to understand is that the real environmental problem is not the WTO but the absence of an international agreement on sea turtles—and all the other new issues that now touch on trade. If the WTO could work effectively on its own agenda and the NGOs would separate their concerns from trade, we could get both more protected sea turtles and more open markets.

The abuse of economic sanctions to achieve foreign policy goals also muddies the U.S. trade agenda. Like trade-environment linkage, sanctions such as U.N.-sanctioned trade embargoes can work through multilateral agreements on global public goods. In the post–Cold War era, however, sanctions have become the first-resort "feel-good" policy of moral preening—and usually on an ineffective unilateral basis. A growing problem in the United States is what Clinton has described as increasingly "sanctions-happy" federal and subfederal governments. Massachusetts has ordered sanctions against companies doing business in Burma, provoking the EU and Japan to ask for a WTO investigation. Sanctions against third parties declining to participate in boycotts, like the Helms-Burton Act penalizing firms doing business in Cuba, have also proliferated. America currently imposes economic sanctions against 26 countries that together account for more than half of the world's population.

Sanctions are seldom effective and often impose terrible costs on populations that have little control over government actions. The United States also bears hidden economic costs: sanctions have been estimated to reduce U.S. exports by $20 billion annually, costing 200,000 high-paying jobs.[2] Yet the Clinton administration has remained unwilling to challenge states like Massachusetts on the basis of the federal government's exclusive constitutional right to

[2] See Gary Clyde Hufbauer, Kimberly Ann Elliott, Tess Cyrus, and Elizabeth Winston, "U.S. Economic Sanctions: Their Impact on Trade, Jobs, and Wages," working paper, International Institute for Economics, 1997.

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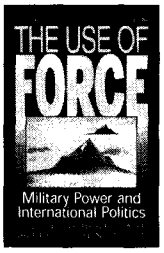

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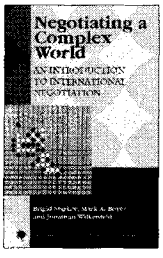

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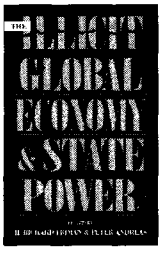

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regulate foreign trade and conduct foreign policy. Like their environmentalist counterparts, foreign-policy do-gooders miss the basic point: their actions cripple international trade, do little or nothing to realize their policy's good intentions, and hamper economic growth. Human rights activists would do far better to use organizations like the United Nations or international diplomacy to realize their aims.

The 1998 collapse of the Multilateral Agreement on Investment (MAI) was a sad case of a worthy agreement run aground by emotional, rather than economic, arguments. Stymied by developing-country opposition in the WTO, the industrialized countries began to negotiate a multilateral investment liberalization accord in 1995 within the Organization for Economic Cooperation and Development (OECD). They borrowed the core principles of the MAI initiative from the international trade regime: national treatment (the absence of legal discrimination between foreign and domestic firms) and most-favored-nation status. But negotiators remained divided over a wide range of issues, ultimately producing a draft text riddled with bracketed language, lengthy footnotes, and many national exceptions. In February 1997, this text was leaked to Public Citizen, a Washington-based NGO that had opposed NAFTA, the Uruguay Round, the fast-track proposal, the African Growth and Opportunity Act, and every other recent attempt to liberalize U.S. trade. With help from the Internet, a transnational coalition of NGOs made outlandish and apocalyptic claims about what was only a work in progress. Among their predictions: the MAI would overturn equal pay and affirmative action laws, end small-business support, ban corporate divestiture campaigns like those against South Africa in the 1980s or Swiss banks in the 1990s, oppose Chilean-style capital controls and U.S. environmental protection laws, and even overturn the U.S. Constitution. A diverse set of American groups, including the AFL-CIO, the Sierra Club, the Western Governors Association, and the Women's Division of the United Methodist Church came out against the treaty—which was still being negotiated. Washington and its partners were caught flat-footed. In April 1998, the OECD announced that it would suspend the negotiations for six months, effectively killing the MAI—the first major casualty at the hands of a global coalition of NGOs.

Despite the overheated, emotional rhetoric of some NGOs, the myriad new issues do deserve attention and action on an international

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scale—just not through trade. As the above examples show, using trade policy to advance single-issue goals is generally ineffective. But it also misses the potential to create and build up parallel institutions that can organize international standards in, say, workers' rights and the environment. For example, it is not difficult to imagine the establishment of something like the global environmental organization mentioned earlier, which would develop core principles and obligations, assign responsibilities for implementation, and articulate enforcement procedures beyond trade restrictions while staying consistent with suitably amended WTO rules. Meanwhile, the International Labor Organization provides a starting place for developing a truly functional multilateral labor agreement.

Last, NGOs run another risk if they push their activist agendas as trade issues. Most NGOs are based in wealthy nations, and Europe and the United States are generally far ahead of the developing world in labor and environmental standards. Not surprisingly, NGO platforms often draw suspicion from poorer trading partners, who tend to see Western idealism as a mask for protectionism. Western NGOs would do far better to work more closely with other international groups to develop multilateral institutions with carrots and sticks to encourage compliance. Otherwise, the have-nots will continue to paint labor, environmental, and human-rights agendas as a rich man's excuse for closing off markets.

BANANA SPLIT

UNTIL RECENTLY, the WTO did not attract much attention from Americans beyond the sovereignty-obsessed, nationalist far right and the equally paranoid NGO left, which both tap into America's deep cultural suspicion of concentrated political power. The banana debate began changing that, and it offers hope that the WTO can serve as an honest broker for future disputes.

As everyone now knows, the United States does not produce bananas. It is home, however, to Chiquita Brands, known as much for its generous political contributions as for its catchy advertising jingle. Chiquita, which produces bananas in Latin America, has long complained that the EU import quotas discriminate by granting

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preferences to former French and British colonies in Africa, the Caribbean, and the Pacific—where EU-based firms dominate distribution. The U.S. government has repeatedly backed Chiquita and its Latin American allies, winning cases against the EU in 1993, 1994, and 1997. But after its last defeat under the new WTO dispute settlement system, the EU refused to consult with either the United States or Latin America and instead only tinkered with its banana import regime before declaring that it had come into compliance. The United States cried foul and began to retaliate, which prompted the EU to claim disingenuously that there was a "disagreement" as to whether the Europeans complied with WTO obligations in the first place. The EU then asked America to go through another round of WTO dispute settlement, thereby postponing retaliation and inviting, as U.S. Trade Representative Charlene Barshefsky put it, "an endless loop of litigation."

Finally, last March the United States threatened to slap 100 percent punitive tariffs on as much as $500 million of EU imports. The WTO ruled in favor of the U.S. move in April, allowing the United States to retaliate with tariffs on nearly $200 million of European goods. The EU responded by asking for more time to revise its banana import regime and has since indicated that it may again appeal some parts of the ruling. But for the time being, WTO-approved sanctions remain in place.

This time around, the United States appeared to come out ahead. The banana ruling should throw cold water on isolationists calling for a U.S. withdrawal from the WTO. Still, a problem remains with the WTO's disagreement clause, which could allow any miscreant to send its case through the infinite loop of litigation. And its dispute mechanism can be counterproductive if a country lacks the political will to adhere to a ruling or is too big to be forced into compliance. Had the WTO ruled in favor of the EU, the Europeans could have manipulated the dispute settlement, returning the world to the dysfunctional GATT system and bringing the United States into direct conflict with the WTO. One way to avoid this quagmire would be for the original, impartial WTO panel to review disputes and rule decisively whether the loser's claim was frivolous or not. That option would at least get cases moving ahead. Alas, it would also require a formal amendment of WTO rules, which could prove a contentious, interminable process.

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Another burning issue could become even more problematic than the banana wrangle: the transatlantic beef-hormone fracas. The EU has barred the import of beef from hormone-treated cattle, without scientific justification, and in effect imposed a trade restriction based on production methods rather than on the good itself. Such a move could open the door to innumerable similar restrictions if the WTO allows it. Thus far, the WTO panel has issued an ambiguously worded report that could invite the same potential mess as in the banana case. And third parties, fearing unilateral U.S. attacks on their own trade practices, could side with the EU.

Another risk looms if the WTO veers away from its recent impartial approach. More adverse WTO rulings could spark American calls at the Seattle ministerial meeting to withdraw from the organization. This possibility is more than just theoretical, given that the office of the U.S. trade representative (USTR) will publish an assessment of U.S. membership in the WTO next March as the capstone of its five-year trade policy review. Following the report, Congress has the right to vote on ending WTO membership. Although this remains unlikely for now, growing political pressure against the WTO is certain to mount if Seattle backfires.

ON A ROAD TO NOWHERE

TRAGICALLY, Washington remains ill equipped to tackle the protectionist challenge head-on. Trade policymaking has traditionally rested in the executive branch of the government with the USTR—a small and relatively weak office. Its bureaucracy is fragmented: although the USTR negotiates trade agreements, he or she plays no role in implementing them or in handling the adjustment costs that arise, which other departments cover. USTR lawyers are far more comfortable in the French-derived jargon of diplomacy than the algebraic formulations of economic theorems. Their chief economist, assisted by only two other staff members based in other organizations, lacks the resources to regularly assess industry complaints and economic implications of alternative policies. This means that the government sets priorities according to noneconomic considerations, thereby increasing the political influence of special interests. And a culture of litigation has

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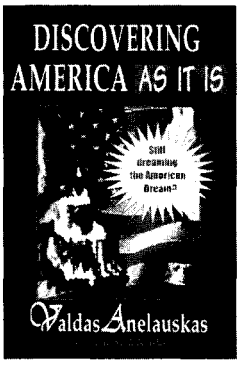

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flourished as legally enforceable trade agreements, rather than improvements in economic efficiency, become the prime objective.

Prospects for trade leadership appear bleak in Congress as well. First, the rigid committee structure of Congress—specifically the control of trade legislation by the House Ways and Means Committee and the Senate Finance Committee—cannot easily tackle cross-cutting issues like trade and the environment. Second, the 1997 fast-track debate highlighted the fact that key members with expertise in trade issues had retired, leaving behind a debate characterized by the passionate but uninformed advocacy of labor standards, the environment, and human rights. Finally, congressional voting patterns show that trade policy is for sale. Political contributions by union and business political action committees (PACs) have strongly colored votes on major trade legislation. Unions appear to be particularly effective thanks to their greater ability to deliver votes and money at election time. And without business PACs, NAFTA would not have passed in the House of Representatives. Trade policy has indeed been privatized.

Union and business PACs have strongly colored votes on major trade legislation.

In the end, however, the White House deserves the most blame. The USTR merely serves as the negotiating arm of the executive branch and is not responsible for developing any overarching trade strategy. That is the president's job. But Clinton has been unable to secure even fast-track authority from Congress, where the debate revolved largely around social and environmental issues. One group of Democratic lawmakers would have supported fast-track authorization if their concerns about these issues had been met, while another group of Republican members of Congress would have opposed the legislation had strong language on these issues been included. Putting together a majority coalition required political commitment by Clinton. When he failed to come through, support from both parties melted away. Given the lack of a coalition of the middle, one could imagine a variety of highly partisan fast-track bills being passed, depending on the outcome of the 2000 election. But the current political polarization has made any bipartisan fast-track authorization before the elections highly unlikely.

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The leadership deficit made little difference during the Cold War, when the East-West confrontation subsumed all other foreign policy questions. But today the policy vacuum and the resultant emphasis on tactics over strategy have become crippling. There is no real sense of priorities among competing claims on resources. Indeed, the last two significant accomplishments in U.S. trade policy, the creation of NAFTA and the WTO, had their origins either during the Cold War (WTO) or in its immediate aftermath (NAFTA).

Policy coherence requires political leadership to establish priorities and reconcile competing claims. The United States should respond to the changed reality of international trade by working within the WTO to further its open-market agenda. This tactic would require patience, however, and American politics dearly lacks this virtue. A wide gap looms between Western ideas about the new agenda and those of the rest of the world. Still, Washington must make the case for liberalization at home and abroad while building new forums to address growing concerns like environmental and labor standards. The other alternative—marginalizing environmentalists, human rights advocates, and the host of other pressure groups—might be better accepted in the developing world. But it would run counter to deeper trends in the developed world that do recognize environmental and social issues.

Today, the American political class cannot muster the intellectual honesty necessary to prevent narrow special-interest groups from capturing trade policy for their own ends. In such an anarchic environment, international agreements constraining the abuse of trade policy for parochial purposes are the only way to commit countries—including America—to relatively enlightened open-market policies. Seattle is a chance for the United States to save itself from the temptations of protectionism and idealistic activism. But supporters of a liberal international system will not attain their goal unless they first demonstrate the courage of their convictions.

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The (Ab)normalization of U.S.-Chinese Relations

Patrick Tyler

CABINET WARFARE

ONLY NIXON could go to China, the saying ran. But even Richard M. Nixon, the architect of America's opening to the world's most populous communist power, could not complete the full normalization of U.S. ties with the People's Republic of China (PRC). Indeed, he and Gerald R. Ford, as well as their secretary of state, Henry A. Kissinger, developed significant reservations about whether the final step was at all possible.

And so it was left to their heirs.

By the time he ran for president, Jimmy Carter had adopted the Democratic Party position on China—that the process of normalization, or recognizing Beijing as the sole government of the Chinese and breaking formal ties with Taiwan, should be completed. Carter understood that Taiwan was a political problem that had to be solved, but he was willing to lead the country to a new state of relations, one that reflected the reality of modern China.

There was never any doubt in Carter's mind that he would be the president who took the final difficult step, and he said as much when

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PATRICK TYLER is former Beijing Bureau Chief for *The New York Times*. This essay is adapted from *A Great Wall: Six Presidents and China*, a Century Foundation book published in 1999 by PublicAffairs. All rights reserved.

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he outlined his foreign policy goals for those who would serve under him. No one had imagined, however, that when the China breakthrough came, it would come as a result of all-out civil war within the Carter administration, or that Carter's achievement on China would rise from a destructive collision of personalities and from the irreconcilable world-views of his secretary of state, Cyrus Vance, and national security adviser, Zbigniew Brzezinski, whose poisonous competition would add to the perception that Carter had lost control of his presidency and his own political destiny.

The China breakthrough came as a result of all-out civil war within the Carter administration.

The night of Carter's victory in 1976, Vance, Brzezinski, and their wives gathered at the New York apartment of Richard C. Holbrooke, a rising Democratic foreign policy specialist. It was neutral territory for the competing clans. They watched the returns come in until after midnight, then parted cordially, wondering who would get the upper hand as Carter's chief strategist.

During the weeks that followed, as the president-elect grappled with forming his cabinet, the Democratic scion Averell Harriman led an effort to open a secret channel between Carter and the Soviet leadership, cutting Brzezinski out of the loop. Harriman's intervention seemed a preemptive strike to ensure that the management of Soviet policy (and, therefore, China policy) remained in what the traditional Soviet specialists considered safe hands. They believed that the worst manifestation of triangular diplomacy—the game that Nixon and Kissinger had begun—would be to play the China card to pressure Moscow and play on its fear of encirclement. That could only lead to miscalculation, or even war. Harriman and Vance did not want to confront the Soviet Union as much as they wanted to engage it in an extended process of arms reduction and diplomatic cooperation to defuse conflicts in the Third World.

Three weeks after the election, Harriman returned to the United States from Moscow, where he had seen Soviet leader Leonid Brezhnev and delivered, with Carter's blessing, a private, conciliatory message on behalf of the new administration. Then the Soviet ambassador to Washington, Anatoly Dobrynin, had taken the extraordinary step of

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flying to Harriman's home at Hobe Sound, Florida, with a personal reply from the Soviet leader. The Soviets, it seemed, were also trying to open a private channel to Carter.

Arrangements were hastily made. With Dobrynin's reply in hand, Harriman called Holbrooke to Hobe Sound. Together, they drafted a Carter response to the Soviet leader. Then they flew to Plains, Georgia, by chartered jet to confer with the president-elect. Brzezinski was out of the circuit, and a whispering campaign was initiated against him, no doubt by the Harriman circle: Brzezinski was too divisive, too much like Kissinger.

Holbrooke tried to stick the knife in as delicately as possible.

At the end of November, Holbrooke got the opportunity he had been waiting for. The switchboard in Plains alerted him that a call from the president-elect would be coming through. Carter was on the line because he was canvassing all of his foreign policy advisers on his cabinet choices. Holbrooke wholeheartedly endorsed Vance for secretary of state, Harold Brown for defense, Michael Blumenthal for treasury, and Theodore C. Sorensen, John F. Kennedy's speechwriter and confidant, for CIA director.

When he was done, Carter said, "Okay, but you haven't said anything about Zbig, or the NSC job, or yourself."

Zbig was very talented, Holbrooke told Carter, and had done a lot for the campaign, but he couldn't see how Zbig and Vance were going to make a good, coherent team. Their world-views were too distinctly different. Holbrooke tried to stick the knife in with as much delicacy as possible. But as he spoke, he could feel the chill coming down the phone line. It was almost as if he could see Carter's eyes narrowing. Holbrooke suddenly realized that he had misjudged Carter's receptivity. The silence lasted an eternity, and then, bloodlessly, Carter thanked him for his advice and rang off.

Carter never initiated another conversation with Holbrooke. Their relationship was over. Holbrooke would be offered the job of assistant secretary of state for Asia under Vance. It was a good job, the same one that Harriman had held under Dean Rusk during the Kennedy years. But by challenging the makeup of the president's

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team when it was already clear that Carter wanted Brzezinski, Holbrooke had declared his opposition to Carter's judgment.

When Brzezinski's appointment was announced, Holbrooke also understood that if Brzezinski ever found out how Holbrooke had stuck the shiv in him, there would be hell to pay.

Like Nixon and Ford before him, Carter came to Washington with the overarching goal of reducing the danger of nuclear annihilation, and he focused his attention on the Soviet leadership. The Carter team assumed that Beijing could be taken for granted. Normalization with China was something to shoot for after a new Soviet arms deal was locked up. That was Vance's view, in any case.

SECRETS AND LIES

THEN CAME February 27. That morning, Joseph Kraft, a syndicated columnist, wrote in *The Washington Post* that Nixon and Kissinger had made a secret deal with the Chinese to complete normalization in Nixon's second term. Kraft also reported that the chief Chinese envoy in Washington, Huang Zhen, had made a point of asking Carter whether the new president was aware of this pledge when the two men met for the first time on February 8.

Carter was not.

On the CBS show *Face the Nation* that Sunday, Vance was caught off guard when asked about the secret pledge. "There are an awful lot of papers," he lamely answered. "We have only been there for five weeks, and we are, you know, in the process of reviewing many different subjects to complete our work, and I simply, myself, haven't had a chance to go through all these papers yet."

When Vance got back to the State Department, he told his staff, "I don't ever want to have to answer that question that way again."

A crash investigation into the record of U.S.-Chinese relations began. Michel Oksenberg, a gregarious China scholar from the University of Michigan, was thrown into the exercise by Brzezinski. Oksenberg had just arrived from Ann Arbor to coordinate China policy for the National Security Council (NSC). On his first day in the Old Executive Office Building, which adjoins the White House, Oksenberg was ordered to work with Holbrooke to reconstruct the

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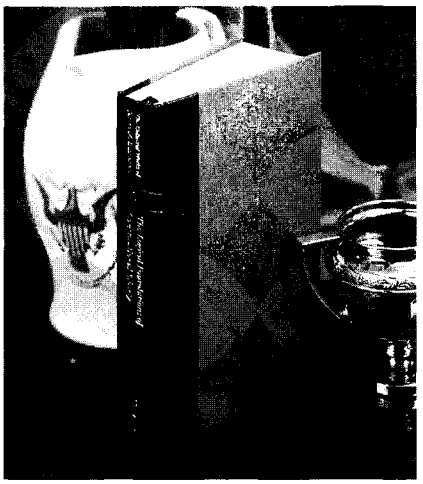

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record of the Nixon-Kissinger era. But where was the record? Kissinger and his deputy, Brent Scowcroft, had ordered their aides to leave "empty safes" for the incoming Democrats; everything that was not carted off to presidential libraries or Kissinger's private archive at the Rockefeller estate was shredded or dispersed in the hinterland of the bureaucracy.

Holbrooke and Oksenberg had first met in Plains, when a large group of foreign-policy specialists was summoned to meet the president-elect. On the sidelines, Oksenberg also learned of the apprehensions that Holbrooke and another rising Democratic star, Anthony Lake, harbored about Brzezinski.

In January, Holbrooke invited Oksenberg to breakfast. They were both for normalization with China, that was obvious, Holbrooke said. That meant they were going to work closely on a great enterprise. "I want to make one commitment with you—one promise," Holbrooke said. "We will not keep secrets from each other. We will tell each other everything we know so that there is no rivalry between us."

Oksenberg, still full of idealism, thought this an excellent idea. When Holbrooke said, "Let's shake on it," Oksenberg immediately reached across the breakfast table and took his hand.

Eventually, Oksenberg and Holbrooke pieced together the secret understandings. Oksenberg considered them perfectly defensible. He drafted a memo to Brzezinski recommending that the president authorize the secretary of state, at the first opportunity, to reaffirm the Nixon-Ford assurances. Brzezinski took the memo, added his own cover note, and sent it in to the president for approval.

Carter checked the "approved" box.

The explosion went off when the memo reached the State Department. Vance was outraged. He lectured Brzezinski on the protocols of how foreign policy was going to be made while he was secretary of state, warning the national security adviser not to make policy recommendations to the president without clearing them first through the State Department. Washington already was awash in stories that Brzezinski was angling for a dominant role in foreign policy just as Kissinger had done. Right after the inauguration, Holbrooke, Lake, and Peter Tarnoff, Vance's chief of staff, had tried to warn the new secretary that Brzezinski was rigging the system so

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as to dominate it. The very first presidential directive had laid out the procedures for interagency coordination in making and managing foreign policy. Brzezinski had put the NSC at the center of the process, just as Kissinger had.

The national security adviser was the first person in the Oval Office every morning to give the president a worldwide briefing. At first, this briefing was listed on Carter's schedule as the "daily intelligence brief." But when CIA Director Stansfield Turner asserted that he should be in charge of any intelligence briefing, Brzezinski changed the next day's schedule to read "the President's national security briefing."

Vance's biggest problem was that Carter liked Brzezinski immensely and relied on him to spin out a broad range of options and analysis—even jokes and wild ideas—that Carter found helpful in forming his judgments. Carter did not agree with Brzezinski's loopier ideas, but he liked their range. Vance had no similar daily forum. But more, Vance was too much the Wall Street lawyer, too much the restrained Presbyterian elder to connect with Carter in the same way. Carter clearly felt a little more comfortable with a brilliant rogue like Brzezinski, and Vance would never be that; he had too much Yankee rectitude. One had only to look at the young men around the president—say, Hamilton Jordan, Jody Powell, and Gerald Rafshoon—to see that Carter was imbued with that southern gene that placed churchgoing virtue alongside an appreciation for mischief.

At the end of each day, Vance sent Carter an "evening notes" memorandum on foreign policy developments and decisions that were either in progress or needed to be made. But Brzezinski kept exploiting the magical morning hour when the president was in his most activist mood. Notes began to go over to the State Department saying, The president has decided this . . . The president wants this . . . The president thinks this . . . And Vance would have to decide: Do I agree? Should I try to catch up? Is it better to turn this around or just throw up my hands?

Sitting around Vance's conference table, Lake, Holbrooke, Tarnoff, and Hodding Carter, the press secretary, tried to tell Vance that the State Department was getting euchred by Brzezinski, but Vance would just slam his hand down on the table and end the conversation. He could manage Brzezinski, he would say. They had their differences, but he was sure they could work together. This was not going to be a

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replay of the Kissinger-Rogers relationship, and he was not going to indulge the competitive obsessions of his aides.

Giving China a set of detailed assurances was premature, Vance said. State was not ready for a China initiative. He demanded the Oksenberg memorandum be withdrawn and that all copies of the original memo be collected and shredded.

THE VANCE SCRIPT

A BLUEPRINT for Carter's China policy did not get started until April 1977. By then, the Chinese were showing impatience. "There is no sign in sight at this point that the United States has made up its mind to discuss normalizing relations between the two countries," an unnamed and senior Chinese official complained to *The Washington Post.*

When Presidential Review Memorandum No. 24 was completed in June 1977, it stated what was already self-evident—that it was in America's interest to complete the normalization task along the lines of the Japan formula: a clean break in relations with Taiwan, abrogation of the Mutual Defense Treaty, withdrawal of U.S. troops. But the Carter policy would also try to ensure that Taiwan's security would not be endangered. And Brzezinski added an anti-Soviet angle, pushing for the sale of high-technology equipment to China, including "dual-use" items that could have military applications.

These were the goals, but for Carter the sequence was everything. Vance believed that arms control with the Soviet Union should come first. In July, Carter startled America's ambassador to China, Leonard Woodcock, a retired president of the United Auto Workers. The president asked Woodcock how he thought the administration should proceed. Woodcock had assumed that Carter would have had it all figured out by then. At the end of the month, Carter called his advisers to the Oval Office. He was going to send Vance to Beijing to tell the Chinese that he intended to complete the normalization deal and to get a feel for Chinese terms and expectations.

Everybody assumed that Carter was going to stick to the Vance script—that China should come after the United States got back on track in negotiations with the Soviet Union. But Vice President Walter Mondale reminded Carter that history had saddled the Democrats with

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"losing" China after World War II. If, for instance, China swung back into the Soviet orbit, it would invite another generation of recriminations. So it was a considerable surprise to everyone in the room when Carter abruptly turned to Vance on July 30 and said, "Cy, lay it all out on the line" in Beijing. If the Chinese were ready for normalization, so was Carter. "I've never gained anything from procrastinating. Describe our full position." By that Carter meant that he needed some political cover on the issue of Taiwan, some commitment to a peaceful transition, and an understanding that the United States would continue to sell defensive arms to Taiwan after breaking the Mutual Defense Treaty.

Carter said he believed he could win support for a new China policy from the American people. He was willing to take the political responsibility for doing so.

No one was more rattled by Carter's decision than Vance. He knew that he had been headed for tough negotiations in China, but suddenly the mission had been transformed. The bar was now set very high.

Vance arrived on August 21, 1977, the last day of the 11th Communist Party Congress. A huge crowd of more than a million people surged into the streets of Beijing just as Vance's motorcade was coming in from the airport. Of course it had nothing to do with his arrival; the Communist Party machinery had turned out the huge crowd to cheer the new leadership slate of Hua Guofeng and Deng Xiaoping.

In his meeting with Deng at the Great Hall, Vance explored aspects of normalizing relations. When he got to the subject of

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keeping a U.S. consulate or liaison office on Taiwan, Deng interrupted. "No!" the Chinese leader said sharply.

A translator said something to Deng in Chinese, but he needed no prompting. "This is a retreat from the position of Ford in 1975," Deng said, his face showing his irritation. He reminded Vance of Ford's commitment to normalize along the lines of the Japan formula. China would not accept a so-called liaison office on Taiwan, Deng said. That would just be an embassy without a flag. It would promote the image of two Chinas, or one China and one Taiwan. It was completely unacceptable, he said.

Vance plodded through three days of meetings and banquets, showing the stiffness and formality of a diplomat uncomfortable with his circumstances. Deng, too, just emerging from political banishment, was wary and punctilious in enforcing Mao's long-standing dictum on Taiwan. He could do no less.

As Vance was leaving China, a newspaper story was leaked in Washington saying that the White House was pleased with Vance's talks in Beijing and that the Chinese had shown new "flexibility" on normalization. Vance erupted with anger. Someone was trying to sabotage the whole trip by provoking the Chinese. It was a pernicious leak, and everyone on the Vance plane saw Brzezinski's hand. Vance fired off a cable to Woodcock, instructing him to rush to the Chinese Foreign Ministry and discredit the story, but it was too late.

The Chinese decided they had to respond.

Deng chose the visit of Arthur O. Sulzberger and Katharine Graham, publishers of *The New York Times* and *The Washington Post* respectively, to fire his cannon. The publishers had come to Beijing as part of a delegation headed by Keith Fuller, then managing editor of the Associated Press, and were delighted to find themselves ushered into an audience with the mysterious and powerful new Chinese leader.

Deng came right to the point. The secretary of state's visit to China had been a failure, he told them, because Vance had backtracked on the commitment of the Ford administration. That was unacceptable to China, Deng said.

Woodcock had not been included in the Graham-Sulzberger session, but he was anxious to glean any bit of intelligence. He invited the

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press barons to a reception at his residence. By prior agreement, the publishers stayed mum about Deng's blast, but in the middle of the reception, they thought better of it.

"Mr. Ambassador," Fuller asked, "did Secretary Vance propose to the Chinese the establishment of a liaison office in Taiwan as a result of normalization of relations with the PRC?"

Reflexively, Woodcock replied, "No, he didn't."

"That's strange," Fuller said, adding that Deng had just told them in their meeting at the Great Hall that the Vance mission was unsuccessful for that very reason.

If the Chinese were ready for normalization, so was Carter.

Woodcock tried to soften the blow, but Deng's rebuke was crystal clear. It hit the newspapers the next day.

In late September, Vance called his China team together and asked for suggestions. Woodcock, back in the United States for a U.N. meeting, surprised them by arguing that the United States could not wrest a guarantee from the Chinese not to use force against Taiwan. That was already clear from the record. The Chinese considered Taiwan an internal Chinese affair—a matter of sovereignty. How could the United States negotiate a guarantee on how China would recover sovereign territory? That would be like asking Lincoln to promise England that he would not use force to recover the Confederacy. It just wasn't going to happen.

Woodcock believed that the president had the constitutional right to conduct foreign policy, which meant recognizing whatever government Carter saw fit. But to ensure the security of the Taiwanese people, the president should be prepared to protect Taiwan from invasion, including selling defensive arms. Carter could reserve this right without putting it on the negotiating table.

Vance listened without commenting. In a half-joking, half-serious tone, Holbrooke declared the birth of the "Woodcock Formula." When they broke up, Vance assured Woodcock that instructions would be ready for him to take back to China by the following Monday, October 3.

But Monday came and went. Three weeks went by. Still nothing from Vance. Woodcock would call Bill Gleysteen, Holbrooke's deputy, and Gleysteen would say, "We are having more trouble than we thought," or "It's taking longer than we thought."

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Then Philip Habib, who had made the transition from Kissinger's staff to Vance's, telephoned Woodcock and told him that he would have to return to Beijing without instructions. They would follow later, he said. Woodcock suspected Vance was filibustering, unwilling to move on China. He puzzled over the reason. During his stay in Washington, Woodcock had gotten the first whiff of the debate over the sequencing of Soviet and China policy, and he wondered whether that was the issue. In any case, Woodcock told Habib that he would not go back to China without first seeing the president.

Habib was first startled, then angry. But Woodcock held his ground. "If I am to go back without instructions, then I am going to insist that I ask to see the president," he said.

Habib quickly shifted his ground. "Of course, you'll see the secretary before you see the president, won't you?"

Invoking his presidential connection had worked for Woodcock. At the end of October, he finally got a piece of paper from Vance, but it was not an outline on how to proceed with normalization. Rather, it was a clarification. The Carter administration, it said, was aware of the Ford commitments on Taiwan and would not insist on maintaining a liaison office there. When Woodcock returned to Beijing and delivered the note to Huang Hua on November 14, the Chinese foreign minister looked at him as if to say, "All this time, and this is it?"

THE BRZEZINSKI GAMBIT

THE WEATHER in Washington was balmy in early November, so when Brzezinski and two of his aides emerged from a luncheon at the International Club, Brzezinski suggested they walk back to the White House. He was in an expansive mood, instructing Oksenberg how to navigate the sidewalks of a big city, how to watch the traffic and the street lights so as to pace one's advance toward each intersection to catch a green light. It was typical Zbig: irrepressible presumption.

Their lunch guest had been Lee Kuan Yew, the leader of Singapore, who was creating one of the tiger economies of Southeast Asia with transparent, laissez-faire business policies and an authoritarian regime. At the lunch, Lee had been quite insistent that America's approach to China was wrong. "Why don't you normalize relations

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with China?" he had prodded Brzezinski. The whole of Asia expected the Carter administration to make the move. Indeed, Asia wanted it. After Mao's death, it was time to draw the Chinese out of their isolation, and Deng Xiaoping was the right leader at the right time.

After Mao's death, it was time to draw China out of its isolation.

As Brzezinski, Oksenberg, and Mike Armacost, the senior NSC policy coordinator for Asia, strolled along the sidewalk on H Street, Oksenberg changed the subject from streetlights back to China. "You know," he said, "Lee Kuan Yew was right."

Brzezinski did not respond directly. Instead, he blurted out a question: "Do you think you could get me an invitation to China?"

"Jesus, Zbig," a startled Oksenberg replied, "Of course I could. They would love to have you." He wondered, though, if Brzezinski had the president's permission to make such a drastic encroachment onto the State Department's turf.

"No problem," Brzezinski grinned. "Just get it."

Oksenberg wasted no time. He arranged a lunch with a Chinese diplomat and advertised Brzezinski's interest. A few days later, Huang Zhen strolled into the Roosevelt Room of the White House, escorted by the vice president, who was hosting a farewell luncheon for the retiring Chinese diplomat. There, in front of Vance and his aides, Huang loudly declared that Brzezinski was most welcome in Beijing. "I am extending an invitation for you to come," he said.

It was as if a dead animal had been thrown on the table. Vance's face was frozen; Habib and Holbrooke were wide-eyed with disbelief.

Brzezinski graciously accepted the invitation as if it were a routine matter. As soon as lunch was over, Oksenberg's telephone rang. It was Habib calling on a car phone, probably Vance's. They had not waited to get back to the State Department to register their indignation.

"What the hell have you been doing?" Habib demanded.

"I don't know anything about this whatsoever," Oksenberg protested.

Habib's call was followed by a Vance call to Brzezinski and a Holbrooke call to Oksenberg. Holbrooke was yelling over the phone. "Have you been playing games?"

Oksenberg played dumb. He wondered whether his boss had enough presidential backing to take China policy away from the State

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Department. Over the next several months, Brzezinski would use his invaluable briefing hour with the president at the beginning of each day to gently press his case.

All during February and much of March, Vance thought he had contained Brzezinski's ambition to go to China. Carter stalled on making any decisions, keeping his eye on the Senate debate over the Panama Canal treaties. He even snapped at Brzezinski to stop pestering him about it. Victory on the treaties came in March, giving Carter a political boost and the freedom to act. Harriman was just back from Moscow with news that Brezhnev was ready to move forward on arms-control negotiations. That gave Carter the pretext for a Solomon-like decision—sending Vance to Moscow and Brzezinski to Beijing. Vance was crestfallen. He thought he had convinced Carter to send Mondale to China.

In early May, Brzezinski bluntly told Carter what was ahead. "To establish diplomatic relations with Beijing," he said, "we will have to close down our official representation on Taiwan, terminate the Mutual Defense Treaty with Taiwan, and withdraw our remaining military personnel and installations." With concurrence from Vance and Brown, he recommended a formula under which the United States would "make a unilateral statement indicating the importance of a peaceful settlement of the Taiwan question by the Chinese themselves," and the two sides would "issue a joint communiqué establishing diplomatic relations, in which we would recognize the PRC as the sole legal government of China."

Brzezinski wrote his own instructions for Carter's approval. The most difficult task, he said, would be to win acceptance for the American requirements

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that the transition on Taiwan be peaceful and that the United States reserve the right to provide arms to Taiwan as it saw fit. Both Carter and Brzezinski knew from the Kissinger record that Deng was a tough negotiator. They had accepted Woodcock's view that they could not negotiate a Chinese guarantee on peaceful transition for Taiwan. They opted instead to make a "unilateral" American statement backing peaceful transition and insist that China not contradict it. That way Beijing could say that it had preserved its sovereign right to use force if all else failed and Washington could say that it maintained a continuing interest in Taipei's security, leaving it ambiguous whether U.S. military power would back up those words.

Though Vance had insisted that Holbrooke and Gleysteen accompany Brzezinski to China, Brzezinski would not even allow them to read the "talking points" he was preparing for his meetings with Chinese leaders. Brzezinski's access to the president gave him extraordinary license, and he used it to humiliate the State Department staffers, especially Holbrooke. As they were preparing for the trip, Holbrooke tried to expand the number of State Department officials involved in the planning. Brzezinski retaliated with a screaming telephone assault at 6:30 in the morning, threatening to throw Holbrooke off the plane. A shaken Holbrooke complained afterwards that he had been subjected "to the most humiliating treatment."

"I have never heard such a vile, profane man," he told Oksenberg. "Zbig yelled at me over the phone so loud that it woke up my wife!"

Just days before the departure, Oksenberg summoned Gleysteen to the White House and offered to show him Carter's instructions, but only if Gleysteen would swear not to reveal the contents to Holbrooke or Vance. But then Holbrooke discovered that he had been cut from the roster of aides who would accompany Brzezinski to the most important meeting in Beijing—Brzezinski's session with Deng himself. Appalled but unwilling to directly confront Brzezinski, Holbrooke sent secret instructions to Woodcock to fly to Tokyo and meet the Brzezinski delegation as it made its way toward China.

Woodcock had no idea what was going on. When he arrived in Tokyo, Holbrooke pulled him aside and told him what Brzezinski had done. It seemed unthinkable to Woodcock that the assistant secretary of state in charge of Asia would be excluded from the key meeting in Beijing.

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Would Woodcock speak up for him, Holbrooke asked?

At dinner that evening with Brzezinski and his wife, Woodcock furrowed his brow and wondered aloud whether the Chinese would understand why the State Department was not represented at the critical meeting with Deng.

"You represent the State Department, don't you?" Brzezinski asked.

"Frankly," Woodcock replied, "I don't think of myself as representing the State Department. I think of myself as representing the president."

Brzezinski entered Beijing poised to finish the task that Kissinger had failed to complete.

Brzezinski laughed. Without saying so, he seemed to understand now that Woodcock was fronting for Holbrooke, and he held his ground. No one could challenge Brzezinski at this late hour without going to the president, and no one had the stomach for that, certainly not Holbrooke. Woodcock told Holbrooke that he had tried his best but failed.

The next day, during Brzezinski's tour of the Forbidden City, Gleysteen—also fronting for Holbrooke—made a final plea. "Zbig, this is totally wrong, you are destroying the processes of government, you have to have Holbrooke in the meeting," he said.

But Brzezinski just turned. "Screw you," he said over his shoulder. "I'm not going to."

Brzezinski entered the Great Hall of the People in early May 1978, triumphantly poised to finish the task that Kissinger had failed to complete. He had outmaneuvered Vance and was gaining ground in the running debate over how to deal with the Soviet Union. Within the administration, he had drawn a line across the world map from Angola to Ethiopia to the Middle East and South Asia and described it as an "arc of crisis" arising from relentless Soviet challenges to the West. The CIA was coming to a similar conclusion, arguing that Moscow had found a useful new working model for intervention in Third World conflicts—the airlift of Cuban troops armed with Soviet weapons to overpower indigenous forces.

Vance and the Soviet specialists disputed the metaphor, arguing that Angola and the Horn of Africa were essentially local conflicts and should not be turned into superpower confrontations. Still, the

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advantage was shifting to the cocky national security adviser. The Chinese, not surprisingly, embraced Brzezinski's view of the world. Deng was happy to greet a fellow hard-liner.

Brzezinski told Deng that America would continue to play a leadership role. Carter was going to build up NATO forces in Europe and hold the line against Soviet expansion into the Middle East. And on normalization with China, he said, Carter was ready to act. The president wanted to start secret negotiations immediately, with an eye toward completing a normalization agreement by the end of the year.

Deng agreed that it was past time for America to act. "The question remains how to make up one's mind," he said. "President Ford was not reelected, and of course the new administration has a right to reconsider this question."

The United States, Brzezinski replied, had "certain domestic problems" and "certain historical legacies" that would have to be overcome. "These are complex, difficult, and in some respects very emotional issues," he said. "That is why we will have to find some formula which allows us to express our hope and our expectation regarding the peaceful resolution of the Taiwan issue, though we recognize that this is your own domestic affair."

MUMBO JUMBO

THEN, as Brzezinski broached this most sensitive issue, he descended into what could only be called mumbo jumbo. America wanted to be known as trustworthy, he said. The American military presence in the Far East—though reduced by continuing withdrawals from Taiwan—should continue in a manner that was not destabilizing so that the situation could not be exploited by the Soviet Union, our mutual adversary. Brzezinski then said, "This consideration must be borne in mind when resolving the issue of normalization and when defining the full range of relations during the historically transitional period of our relationship with the people of Taiwan."

Even if Deng spoke English, he could not have understood the sentence. But this brief and highly ambiguous statement was as close as Brzezinski ever got to explaining how Carter intended to accomplish

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normalization by reserving an American right to sell limited amounts of defensive weapons to Taiwan.

Nevertheless, Deng accepted the proposal that Woodcock and Foreign Minister Huang begin meeting to discuss normalization in secret. At the same time, he indicated that he did not have high expectations.

"I think that is all on this question," Deng said. "We look forward to the day when President Carter makes up his mind. Let's shift the subject."

"I have told you before," Brzezinski injected. "President Carter has made up his mind."

"So much the better," Deng replied evenly.

Brzezinski's visit was a success largely because Deng saw in him someone with whom China could do business, a strategist close to the president who shared China's self-interested view of the Soviet threat. Brzezinski was not afraid to talk about confronting "hegemony" or hectoring "our mutual adversary"—the Polar Bear. During his visit to the Great Wall, Brzezinski challenged his Chinese hosts to a race. "If we get to the top first, you go in and oppose the Russians in Ethiopia," he said. "If you get there first, we go in and oppose the Russians in Ethiopia." When Vance read Brzezinski's remarks in *The Washington Post,* he was mortified.

But Brzezinski sensed the connection he had made with Deng, and Deng accepted an invitation to dine at Brzezinski's home if the Chinese leader ever visited America. Brimming with self-satisfaction, Brzezinski skated past his wife and Sharon Woodcock during breakfast one morning with his hand poised high in the air as if he were a waiter carrying a tray.

"I have Richard Holbrooke's head on my platter, and I am going to serve it to the Chinese," he crooned.

Holbrooke was a target of constant scorn. Muska Brzezinski criticized Holbrooke for coming to a state dinner looking disheveled. And someone—it could only have been Brzezinski—ensured that Holbrooke's car was placed at the end of every motorcade. It got so bad that Holbrooke would get out and run forward to ask Woodcock if he could ride with him.

Brzezinski did not want Vance or anyone else at the State Department to see the "memcon" transcript of his talks with Deng before he

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had a chance to brief Carter, so Oksenberg was instructed during the flight back to Washington to keep Holbrooke in the dark. "He is not to see them," Brzezinski insisted.

Oksenberg tried to compromise, allowing Holbrooke's deputy, Gleysteen, to read them, but Holbrooke just lost his temper. Raging down the aisle of the Air Force plane, he grabbed Oksenberg by the collar and accused him of violating the pledge they had made to each other at the outset of the administration.

"If you don't give me those memcons after we get back, I will destroy you!" Holbrooke yelled.

Oksenberg seized Holbrooke in the same manner. The two men were now locked in combat. Oksenberg yelled back, "If I give you those memcons after we get back and you violate our trust, I will destroy you!"

The two stared fiercely at each other, but neither wanted to take the personal confrontation over the cliff. Holbrooke disengaged and asked indignantly, "Are you trying to threaten me?"

Brzezinski's trip to China ruined Carter's meeting with Soviet Foreign Minister Andrei Gromyko at the end of May. The frosty encounter reinforced Vance's growing concern that it was a mistake to play the China card amid the final, delicate stages of arms control negotiations with Moscow. But Carter insisted to Vance that he was not playing a China card. He was determined to establish relations with China on its own merits and, at the same time, he very much wanted a second Strategic Arms Limitation Talks (SALT) agreement with the Soviets to get the arms race under control.

All of Carter's men agreed that the end of the year was the right time to bring both negotiations to a climax. But Vance was still maneuvering to stage the Soviet breakthrough first, and Brzezinski seemed determined to upstage him.

This schedule saddled Woodcock with a nearly impossible negotiating strategy: he was to take the issues of normalization one by one, without ever laying down the full American position. So starting in July 1978, Woodcock dutifully sliced the baloney, serving up each bit to a cantankerous Huang, who could see that the Americans were stretching out the negotiations until after the congressional elections.

That autumn Carter became preoccupied with his drive to bring Israeli Prime Minister Menachem Begin and Egyptian President

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Anwar al-Sadat together to craft a peace plan that would return the Sinai Peninsula to Egypt and ensure greater security for Israel. After a September breakthrough, a buoyant Carter came down from Camp David in Maryland's Catoctin Mountains more determined than ever to push forward on all other fronts. Beijing had sent a new envoy to Washington, Chai Zemin, who had arrived in August. Carter called him to the White House both for introductions and to pump up the momentum.

Oksenberg flagged for Carter the sensitive issues that had not yet been broached in Woodcock's secret negotiations. With Chai seated before him, Carter went right to the heart of the matter. The Chinese leadership, he said, would have to understand one thing: No American president could complete the normalization deal without ensuring the security of Taiwan. America had to continue to sell limited amounts of defense military equipment to Taiwan after normalization. Chai took it all in, and Carter's men congratulated him afterward on a brilliant delivery. When the president takes on an issue, everyone has cover. In particular, Oksenberg was delighted that the president had spelled out so clearly what Brzezinski had left so vague in May.

THE SPECTER OF STALEMATE

NEVERTHELESS, just two weeks later, Foreign Minister Huang delivered a shocking reply. On October 2, Vance was in New York again for the U.N. General Assembly meeting. It was Huang's turn to host the annual dinner for his American counterpart. When they settled in at the Chinese mission on the west side of Manhattan, Vance took forever to broach the most delicate subject, and when he did, Huang pounced. The government of the People's Republic found it absolutely unacceptable for any residual security relationship to carry on between Washington and Taipei after normalization. China rejected Carter's suggestion that there could be American arms sales to Taiwan after the Mutual Defense Treaty was canceled. Huang warned that if Carter insisted on such a condition, the whole normalization deal was in jeopardy. They might as well call off the talks.

Woodcock, who had flown back just to join Vance for the dinner, listened to the heat and fire in Huang's presentation. What a grim

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evening, he thought. He was more convinced than ever that the arms sales issue could not be put on the table.

When the transcript of Huang's remarks reached the White House the next day, Brzezinski could see that they were looking at a stalemate.

Woodcock stayed on in Washington that fall. He and Huang really had nothing to negotiate until Carter and Vance figured out how to confront the remaining issues, especially arms sales to Taiwan.

Deng realized that America would keep arming Taiwan even after normalization.

Vance had recruited a former Republican attorney general, Herbert Brownell, to bless the State Department's plan to terminate the Mutual Defense Treaty without going to Congress for approval. Brownell asserted that Carter did not need to go to Congress if he voided the treaty under its one-year cancellation clause. Barry Goldwater and the Senate might challenge the action, but they would lose, Brownell believed.

With the end of the year in sight, Carter called his China staff together on October 11. Brzezinski maneuvered to keep Vance out of the meeting, which was billed as a private discussion between the president and Woodcock. Of course, Brzezinski joined them.

Carter wanted some hard-nosed assessments on the China front. Was there a stalemate, or could they get an agreement done by January 1?

As he had from the moment he went to China, Woodcock believed that an agreement was possible. He also thought that American public opinion would support it and that Congress would follow. Woodcock added an outline of the remaining issues. Deng already understood from Carter's forceful statement to Chai in September that the United States was going to do what it had to do—sell defensive arms to Taiwan after normalization. Deng had to oppose it. That was why Huang had been so vehement. So there was no need to respond to Huang's outburst or even bring it up again. Woodcock could not "negotiate" a right to sell arms to a portion of a sovereign country. The key would be to propose a draft communiqué on normalization and see if the Chinese took the bait. If Deng was willing to go ahead, even though the document was silent on the arms sales question, it meant that China understood that the United States would continue to provide for Taiwan's security, albeit discreetly.

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Carter told Brzezinski that he wanted a communiqué drafted immediately so Woodcock could take it back to Beijing and present it. They were going ahead. Carter would fill in Vance later.

Back in China, Woodcock put the draft communiqué on the table for Huang on November 2. It said that the United States and the People's Republic agreed to establish full diplomatic relations and that Beijing was the sole government of China. It carried a proposed date of January 1, 1979.

Huang said nothing. The Chinese government would reply in due course, he said, and that was it.

In early December, Woodcock was finally summoned to the Foreign Ministry by Han Nianlong, a vice minister. For the purposes of meeting with Woodcock, Han was given the title "acting foreign minister" so there would be no sense that the Chinese were downgrading the negotiations.

Han presented a counter-draft of the communiqué. It also carried the date January 1. Both sides were now locked in to a schedule to complete the normalization agreement by the end of the month.

Han also delivered a key Chinese concession on Taiwan. If the United States made a public statement that it expected a peaceful transition on Taiwan, the Chinese side would not contradict it, Han said. The Woodcock Formula was succeeding.

When Woodcock got up to leave, Han said, almost casually, "Deng Xiaoping will see you soon."

Back in Washington, the news of Woodcock's session made Brzezinski frenetic as he tried to stay ahead of Vance and the SALT negotiating team in Geneva.

When Woodcock reported that he would see Deng on December 12, Brzezinski called Chai to the White House, ostensibly to update him on American foreign policy developments around the world, which included the Middle East, SALT, and the mounting revolution in Iran. Chai's appointment was not placed on Brzezinski's official calendar and the Chinese envoy, who had always come in the front gate of the White House, instead was met by Oksenberg at the west gate to keep him away from the press or any State Department spy who might be wandering about.

Brzezinski quickly reviewed the international scene and then said he would like to go off the record, which only accentuated the

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importance of what he was about to say since they were already meeting in secret.

President Carter, Brzezinski said, was going to extend an invitation to Chairman Hua or Vice Premier Deng to visit the United States as soon as the normalization negotiations were concluded.

"Now I want to speak to you as a friend," he said. A SALT agreement was very near, and there was a good chance that Leonid Brezhnev would visit Washington in January. Brzezinski said he hoped that events would enable Deng to come to the United States before Brezhnev.

Oksenberg just sat there in awe. Was Brzezinski freelancing without the president's knowledge? Or did Carter know? If Carter put him up to it, it was all the more amazing for what it said about Carter's subterfuge against his own secretary of state.

When Woodcock entered the Great Hall on December 12, he expressed the hope that the long negotiation on normalization was almost done. He gave Deng the latest one-page draft of the proposed communiqué and told the Chinese leader that in order to avoid a fight in Congress, the Mutual Defense Treaty would have to be terminated over a year's time under Article 10, the provision that provided for such an eventuality.

Deng interrupted him. He had been forewarned about the American proposal. Brzezinski had laid it out to Chai in Washington the day before, giving the Chinese time to think about their own negotiating strategy.

"Now during that one-year period," Deng asked, while the treaty was still in effect, would the U.S. side agree to make "no new commitments" of arms sales to Taiwan? Deng hastened to add that any weapons already in the pipeline could be delivered. He didn't care about that, he said, but he wanted arms sales to end.

Woodcock said that he would relay the proposal back to Washington, but Deng was not finished. He wanted Woodcock to understand why the arms sales issue was so important—how arms sales, in his view, injected a destructive psychology between the mainland and Taiwan. Deng was looking ahead. He was planning to offer reunification to Taiwan the following month. His formula would guarantee near total autonomy. Taiwan could keep its own political and economic

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system—even its own military—but under the banner of one China, with national sovereignty residing in Beijing. The concept would come to be called "one country, two systems."

Arms sales to Taiwan injected into the talks a big psychological factor that undermined reunification, Deng told Woodcock. They would stand between Beijing and Taipei. To sell any kind of arms to Taiwan, Deng said, would only make Taiwanese President Chiang Ching-kuo's "tail feathers grow 10,000 meters high!" He would be impossible to deal with, and that would increase the risk of conflict.

Woodcock didn't dare engage Deng's point. He just listened. Woodcock was not going to lay the president's position on arms sales out there on the table again, as Carter had in September. That would be a deal-breaker. Woodcock was sure he was doing the right thing.

Deng looked at the draft communiqué—one page and in English—and called his interpreter, a young woman named Shi Yanhua, to look over his shoulder and sight-translate for him. She stooped to the diminutive Deng's level as he dictated his proposed changes, making his decisions on the spot, without consulting any other Chinese official.

Back at the Liaison Office throughout the afternoon, Woodcock and his deputy, J. Stapelton Roy, drafted their cables so that they would reach the White House by dawn on the same day.

THE ELUSIVE CABLES

In Washington, it was hours before dawn. Oksenberg had stayed at the White House until 1:00 a.m. in the vain hope that Woodcock might have dashed off a quick summary of the meeting with Deng. But nothing came over the CIA circuits. Oksenberg instructed the communications clerk in the Situation Room to call him—no, wake him—as soon as the cables came in from Beijing.

At 5:30 a.m. Oksenberg rolled over in bed and looked at the clock. He reached for the telephone on the nightstand and called the Situation Room.

"Have you gotten the message?"

"No message yet," the clerk said.

He waited an hour, then called again. Still no cable.

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Oksenberg drove to the White House with a gathering sense of dread. It was night in Beijing already, and the meeting with Deng had been held at 10:00 a.m. Beijing time. What was going on?

He arrived at the Situation Room at 8:30 a.m. The clerks looked at him deadpan. "No message."

When Oksenberg got to his office, Harry Thayer, the China desk officer from State, was already on the line conducting reconnaissance for Holbrooke. What had come in from Beijing? Then Holbrooke himself called. What was going on?

Finally Oksenberg called Brzezinski.

"Zbig, we still don't have a message from Beijing. I can't understand this."

Brzezinski betrayed nothing.

"Come over right away," he said.

When Oksenberg walked into Brzezinski's office, the national security adviser was sitting behind his desk. Before Oksenberg could say anything, Brzezinski said that the cables from Woodcock had come in the middle of the night. He had instructed the Situation Room clerks not to show them to Oksenberg or anyone else.

"The deal has been made," he said. "Normalization is going to occur. The president wants to announce it Friday evening, and I want you to draft a statement that the president will read on television."

Oksenberg's head was spinning.

Brzezinski handed him the cables. They had been marked up by Brzezinski and then by the president. As he read, Oksenberg felt a twinge of concern. The transcript of Woodcock's session with Deng and Woodcock's personal report on the meeting revealed several outstanding items. It was clear they were almost done, but another negotiating session was still needed to clean up the details of the communiqué.

Oksenberg wondered what had been said between Brzezinski and the president. Carter wanted to announce it Friday. It was now Tuesday morning, and both sides had not even agreed to the communiqué. What was the rush? It had to be Vance and SALT. The secretary of state was in the Middle East, and in Geneva the arms control talks were on the threshold of a new agreement. Brzezinski knew Vance did not want to announce any China deal before SALT was wrapped up. But Carter had obviously taken sides. He was going

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with Brzezinski. They would use the China announcement just as Kissinger had in 1971: to build a fire under Brezhnev.

Brzezinski ordered Oksenberg to tell no one at State that the China deal was done and would be announced that Friday. But Oksenberg could not draft everything that needed to be drafted by 5:00 p.m. He called Roger Sullivan on the China desk.

"Roger, you have got to get sick and go home," he said. "Then you have got to come over here right away."

For the rest of the day, Oksenberg and Sullivan worked in the Old Executive Office Building next to the White House as Oksenberg took call after call from Holbrooke and Thayer. Under orders from Brzezinski, he lied to them time after time.

Because Vance was out of town, Deputy Secretary Warren Christopher was running the State Department. Holbrooke called him and shared his suspicion that something was going on at the White House. Christopher reached Brzezinski, who asked the deputy secretary to come over late in the afternoon. Christopher left the building without telling Holbrooke, who finally went home, exasperated.

At the White House, after Christopher had read everything, he asked Brzezinski, "When will Dick Holbrooke learn about this?"

Brzezinski, savoring the moment, replied, "Well, maybe Friday evening"—when all of America saw it on television.

Christopher said that he did not want to lose an assistant secretary, which was the risk if they kept him in the dark. But Brzezinski was unmoved. He did not think the president wanted Dick Holbrooke in on it. Holbrooke was a leaker, and he was dating Diane Sawyer, the CBS journalist, which made him a security risk.

In his lawyerly way, Christopher told Brzezinski that he just couldn't cut the assistant secretary of state responsible for China out of China policy. Besides, Christopher needed him. If it would help, Christopher said, "I will take the responsibility. I will vouch for Dick."

The phone rang about 10:30 p.m. at Holbrooke's house. He was already in bed.

"I am sitting here in Zbig's office, and we've got a message from Beijing," Christopher said. "Would you like to come down and see it?" Holbrooke dressed in an instant and drove to the White House.

Brzezinski was smirking as Holbrooke read Woodcock's account

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of the session with Deng. Then he read the messages that Brzezinski proposed to send to Beijing.

He read over Deng's "no new commitments" proposal on arms sales and Brzezinski's draft reply accepting Deng's formulation. Holbrooke could see that nothing in the communiqué or its accompanying documents showed that the Chinese either understood or agreed that the United States reserved the right to sell defensive weapons to Taiwan. At the same time, the United States was agreeing to make "no new commitments" in arms sales during the one-year period. The ambiguity leapt off the page.

Holbrooke looked up and said, "Zbig, Chris, if you send that message out, we're never going to be able to get Congress to approve what we have done." If there was not an explicit statement that the United States reserved the right to sell arms to Taiwan, Congress would simply revolt. After all, Holbrooke was the person who was going to have to sell the package on Capitol Hill, and he was alarmed at what was about to happen. But Brzezinski just waved him off.

Having failed to change anything, Christopher and Holbrooke left the White House and headed to Georgetown. Over a drink at Nathan's, a favorite watering hole for Carter aides, they commiserated. Had Christopher told Vance yet what was going on? Holbrooke asked.

No, Christopher replied. He still wasn't sure himself what was going on. The only thing that was certain was that Brzezinski was running rampant over the department.

The overnight cables were late in arriving in Beijing, and Woodcock was startled by his instructions. He was to seek an immediate audience with Deng and tell him that the United States, upon review of the record of Deng's session the previous day, considered the negotiations essentially concluded. The president therefore wanted to advance the announcement of a normalization agreement from January 1 to December 15, at 9 p.m. Washington time, which would be 10:00 a.m. on December 16 in Beijing—72 hours away.

WHY THE HURRY?

Deng seemed puzzled when Woodcock reached the Great Hall for a hastily arranged audience. The Chinese leader was still waiting for

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an answer to both his "no new commitments" proposal on arms sales and the minor changes he had proposed in the communiqué. Why the hurry, Deng wanted to know?

The president was afraid that the normalization decision would leak, Woodcock explained. Carter wanted to be the first to announce it to the American people so that normalization's opponents could not tear it apart before all the facts were known.

How would it be done? Deng asked.

Woodcock did not know, but he said he assumed that there would be an address by the president or a press conference broadcast nationally on radio and television.

Deng thought for a moment then agreed. He also accepted Carter's invitation to come to America, another indication that his influence had eclipsed Hua Guofeng's.

Everything seemed to be falling into place. Woodcock returned to Deng at 9:00 p.m. Thursday night with the approved American language for the communiqué. Washington was willing to pledge that there would be "no new commitments" of arms sales to Taiwan during the year it would take to end the treaty.

Brzezinski had disregarded Holbrooke's concerns, but the telltale signs of another land mine suddenly appeared.

On December 14, Ambassador Chai came to the White House to discuss with Brzezinski the sequence of cabinet-level visits to China after diplomatic relations had been established. Everyone in the administration wanted a piece of China. As Chai was getting up to leave, Brzezinski asked him if he was informed of the latest developments in Beijing. Chai said it appeared that everything was moving extremely well, especially since the United States had agreed to end arms sales to Taiwan.

Brzezinski tried not to show his surprise and quickly begged to differ. This was not the case at all, he said. What the two sides had agreed to was a one-year moratorium during which weapon sales already in the pipeline could be delivered. After the year was up, limited sales of defensive arms would resume, Brzezinski said.

Chai looked very surprised. That was definitely not his understanding of what had been agreed to, he said.

Suddenly Brzezinski was facing a debacle. First Holbrooke had warned that the agreement was flawed. Now the Chinese were insisting

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that their interpretation of "no new commitments" amounted to an American agreement to end arms sales to Taiwan.

In a way, it was a striking replay of 1972, when Kissinger had cut the State Department out of the Shanghai Communiqué negotiations that launched the era of normalization, only to have one of Holbrooke's predecessors, Marshall Green, spot a fatal flaw and force an embarrassing 11th-hour scramble. Brzezinski had also cut the State Department out of the process, and again the White House faced an humiliating last-minute crisis. Congress would savage any agreement that was flimsy on the critical question of Taiwan's security. And everyone knew that Brzezinski had exclusive control over the negotiations. Any disaster would be a Brzezinski disaster in a very personal way.

Brzezinski quickly cabled Woodcock asking whether he was certain that the Chinese understood Carter's determination to continue limited sales of defensive equipment to Taiwan.

Woodcock may have thought that this was Brzezinski trying to cover his backside at the last minute. But he wasn't going to let anyone's weak knees get the better of him. Woodcock told the White House that any careful reading of the record would show that the pact left it "implicit" that arms sales could continue after the one-year termination period had ended. But nothing seemed to calm the storm.

Carter made it clear to Brzezinski that there was only one thing to do. Deng would have to understand that the deal could not be made if the president could not reassure Congress that American security assistance to Taiwan would continue. Such aid would be limited and defensive, but Carter had to reserve that right and Congress had to know that he had reserved that right.

In Beijing, more than five hours had passed since the arrival of the first cable seeking clarification on the arms sales question. When a second one arrived, Woodcock's heart sank. It instructed him to seek an immediate meeting with Deng to ensure that the Chinese leader both understood and agreed that the United States reserved the right to sell defensive arms to Taiwan.

Good grief, Woodcock thought.

They were 15 hours away from the joint announcement that the United States and China were going to reestablish diplomatic relations. The communiqué was all locked up. And now Woodcock had to go in

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and say explicitly that the United States intended to do the very thing that the Chinese had made clear they would never accept.

"HAO"

WOODCOCK AND ROY fought their gloom as they climbed the steps of the Great Hall at 4:00 p.m. on December 15. Deng was waiting for them. Woodcock laid it out, making clear he was under instructions. Did Deng understand and did he agree that the United States reserved the right to continue selling arms to Taiwan?

The look that came over Deng's face foretold the explosion. He slammed the arm of his chair.

"We do not agree! We will absolutely never agree, and we absolutely oppose . . ." Deng just unloaded. This was impossible! It could not be allowed!

Woodcock and Roy shrunk into the cushions of their chairs as Deng thundered. They both believed that he was calling off the whole deal. Everything was going down the drain.

Deng went on. If America was going to continue to sell arms to Taiwan, he said, why would Chiang Ching-kuo, the son of Generalissimo Chiang Kai-shek, ever come to the negotiating table? And if he would never come to the negotiating table, China would have to use force to recover Taiwan. How was that in the interest of the United States? How could the United States say it was in favor of a peaceful resolution to the Taiwan question while it was arming Taiwan so extensively that its leaders would turn away for good from negotiation with the mainland? That, too, would lead to war.

Deng went on for some time, his anger still connected to the logic he was trying to impress on the Americans. And when he was done, he looked across at Woodcock and asked what he thought they should do.

At this point, Woodcock was beyond his instructions. He told Deng that it was essential to get normalization behind them, because then everything would change. A transitional era would open up in which they could solve the problems left over by history. Because Washington would recognize Beijing as the sole government of the Chinese people, the transitional era would not only change the relationship between the United States and China but between China and Taiwan.

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Woodcock just kept repeating the point about how much things would change after normalization and how much easier it would then be to solve problems.

They had been talking—and yelling—for an hour. When Woodcock finished, Deng stared at him for a moment, shrugged, threw up his hands, and uttered a single word: "Hao." *Okay.*

Fourteen hours later Carter went before the cameras and stunned the world, as Nixon had. Republican reaction was fierce. Senator Barry Goldwater (R-Ariz.) accused Carter of "lying, thumbing his nose at the Constitution and the U.S. Congress, and selling out Taiwan." Ronald Reagan decried Carter's act as a "betrayal" and made a campaign trip to Taiwan. Even George Bush, a former envoy to China, lashed out in a *Washington Post* commentary: "For President Carter, who professes a strong belief in Christian ethics, it should be a tormenting thought that by his hand, the United States has put an entire people adrift in a cruel, hostile sea—and for scarcely any purpose." Only former President Ford, whom Carter had beaten, publicly voiced support.

An angry Congress transformed the Taiwan Enabling Act into the Taiwan Relations Act, which included a security commitment to Taiwan nearly as strong as the one in the now-canceled Mutual Defense Treaty.

Deng felt betrayed. The two sides had agreed to normalize relations and leave arms sales to Taiwan for future negotiations. Now Congress was resolving the matter unilaterally. Still, for the Chinese, neither the misunderstandings nor the betrayal were great enough to overwhelm Deng's strategic realignment, moving China closer to America than it had ever been under Communist rule.

The revolt in Congress notwithstanding, Carter, like Nixon, understood that the opening to China was a redemption, a moral crusade, and a piece of farsighted diplomacy that for many Americans transcended politics. The diplomatic mudslide that occurred, greased as it was by Brzezinski's subterfuge and Woodcock's freelancing, let both Washington and Beijing assert that they had not compromised their principles. Normalizing ties with China was the fulfillment of a great enterprise, and Carter staged it with that same sense of drama and surprise that Nixon evoked so skillfully when he orchestrated his journey to China in 1972. For both presidents, the surge of public approval overwhelmed the opposition.

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Civil War by Other Means

Michael Lind

AMERICA'S DOVISH NORTH AND HAWKISH SOUTH

THE WAR in Kosovo opened more fissures in the American public and the U.S. foreign policy elite than any U.S. military intervention since the Vietnam War. Many have remarked that viewpoints about the war transcended the ideological categories of left and right, producing unusual alliances of conservatives and liberals among both supporters and opponents of the NATO campaign against Serbia. What has been overlooked, however, is the influence of American regional culture—not only on attitudes toward the war in Kosovo but on the domestic politics of foreign policy throughout American history.

That so little attention has been paid to regional influences on U.S. foreign policy is surprising. After all, the polarization of American domestic politics along regional lines is one of the most obvious and striking phenomena of our time. The disproportionately southern congressional leadership reflects the new southern base of the Republican Party. Both liberal Democrats and moderate Republicans find their strongest support in the states of New England and the northern tier. The superimposition of regional cultural loyalties atop partisan ideologies accounts for much of the increase in partisan rancor in the United States. To name only one example, the impeachment of President Clinton revealed a stark division between this southern president's political enemies, who are overwhelmingly southern, and his predominantly northern defenders.

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While the sectional division in domestic politics has become familiar, the impact of the divisions between America's regions on its diplomacy is a neglected subject. When the influence of sectionalism on U.S. foreign policy is discussed at all, it is usually in the context of trade disputes, which pit the northeastern-midwestern manufacturing belt against the high-tech industries and commodity exporters of the South and West. But regional influences on U.S. foreign policy go far beyond conflicts of economic interest. Regional differences in the United States based in culture and values—particularly the enduring differences between anti-interventionists in the North and pro-interventionists in the South—have shaped debates over American foreign policy in every generation and will continue to do so.

REGIONALISM AND AMERICA'S EARLY WARS

REGIONS IN the United States are notoriously difficult to define. The best guide, perhaps, is provided by speech regions. Most linguists identify four regional dialects of American English: northern, midland, highland southern, and coastal southern. The Greater New England or northern speech region, according to the historian David Hackett Fischer, includes "New England, upstate New York, northern Ohio and Indiana, much of Michigan and Wisconsin, the northern plains, and the Pacific Northwest, together with islands of urban speech at Denver, Salt Lake City, and San Francisco." Since the late 1700s, this area has been the heartland of opposition to foreign wars and the U.S. military establishment. Pro-war, pro-military attitudes have been strongest in the areas identified with coastal southern speech (the Tidewater South) and, to a lesser degree, in the Highland South, from West Virginia through Tennessee to Texas.

The pattern of Greater New England's opposition to wars and the opposite tendency of the South, especially the Tidewater South, to be strongly interventionist first manifested itself in the earliest years of the Union. During the War of 1812, the hawks tended to be southerners like Henry Clay of Kentucky and John C. Calhoun of South Carolina. Congress' vote on the war followed sectional lines, not partisan lines. In the House of Representatives, the northern-and-mid-Atlantic-dominated Federalist Party voted unanimously against the war;

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the southerners who controlled the Democratic-Republican Party solidly backed it.

This pattern reemerged in subsequent conflicts. Southerners generally favored the western expansion of the United States; northerners disproportionately opposed it. In the 1830s the most extreme American pacifists broke away from the American Peace Society to form a new organization that forswore the use of force even in self-defense. Its name tells the story: the New England Non-Resistance League.

Another example of the extreme antimilitarism of New Englanders is provided by Charles Sumner, the powerful Massachusetts senator who chaired the Senate Foreign Relations Committee between 1861 and 1871. Sumner's first major public speech was an 1845 Fourth of July oration in Boston in which he horrified the veterans in the audience by blaming war on arms manufacturers, calling West Point "a seminary of idleness and vice," and describing soldiers as "wild beasts" who rejoice "in blood." His speech culminated in the declaration, "In our age there can be no peace that is not honorable; there can be no war that is not dishonorable." True to his pacifist principles, Sumner refused to fight back when he was caned on the floor of the House in 1856 by South Carolina Representative Preston S. Brooks, in retaliation for Sumner's verbal assault on Brooks' cousin, South Carolina Senator Andrew P. Butler.

For New Englanders like Sumner, the Mexican War was a national disgrace. Boston, the capital of the antiwar movement during the War of 1812, was also the center of opposition to the Mexican War. The Boston-based American Peace Society charged the U.S. government with aggression against a "poor, feeble, distracted country." Both the Democrats and their opponents, the Whigs, were divided along regional lines. In February 1847, just before the U.S. victory at Buena Vista, Thomas Corwin, a Whig senator from Ohio, encouraged the Mexican enemy to welcome American soldiers "to hospitable graves." The Boston Brahmin Henry David Thoreau refused to pay taxes, claiming that to do so would make him an accomplice in an unjust war. Jailed, he wrote his classic essay *Civil Disobedience,* which inspired later generations of (mostly northern) antiwar activists in the United States.

In general, the South was as enthusiastic about the Mexican War as the North was hostile. Many leading southern military

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officers, including Robert E. Lee, became members of the "Aztec Club," an organization of veterans of the Mexican War. To some degree, this was because the U.S. military has almost always been dominated by southerners. As Samuel P. Huntington, a Harvard political scientist, has noted, "The South gave military professionalism its only significant support in the pre–Civil War years. A 'Southern military tradition' existed in a way in which there was never a New England, Middle Western, or Rocky Mountain military tradition." Huntington points out that in the U.S. Army of 1837, 3 of the 4 active generals, 6 of the 13 colonels of the line, and 10 of the 22 highest-ranking officers were not only from the South but from one state: Virginia.

The pattern of southern support for foreign wars was broken during the Spanish-American War when—for the only time in U.S. history, with the possible exception of the Kosovo war—intervention abroad was the project of northeastern elites. As the historian Richard Franklin Bensel notes, "imperialism rationalized the interests of the northern industrial core, their agrarian allies, and the Republican party"—at the time a northeastern-midwestern coalition. Meanwhile, many former Confederates opposed the war out of bitterness toward the federal government. But antiwar sentiment did not end there. Even though the Spanish-American War was a northern enterprise, it was opposed vehemently from within the North. David Hackett Fischer writes, "Anti-imperialism was a regional movement, centered in New England." Once again Boston became the center of the antiwar movement.

AMERICAN SECTIONALISM AND THE WORLD WARS

After the outbreak of World War I, congressional voting on "preparedness" legislation between 1915 and 1917 revealed the by-now-familiar pattern. The anti-interventionists were concentrated in Greater New England, with a few allies among populists in the Highland South. The myth of conservative isolationism to the contrary, most of the World War I–era isolationists held left-of-center views: Progressive Republican followers of Wisconsin Senator Robert La Follette and southern and western populists of the William Jennings

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Bryan school. In the Senate, the most consistent opponents of preparedness and intervention in World War I were all from the western section of Greater New England: George W. Norris (R-Nebr.), Asle J. Gronna (R-N.D.), Harry Lane (D-Ore.), and La Follette himself. In the House, as in the Senate, all but one of the representatives who never voted to put the nation on a war footing or intervene were from the same region. Remarkably, four of the seven most consistent opponents of U.S. involvement in World War I came from the same state in Greater New England: Wisconsin.

The South, on the other hand, was overwhelmingly in favor of U.S. participation in this European war, as it had been in favor of U.S. involvement in the Napoleonic Wars in 1798 and again in 1812. Two-thirds of the southern members of the Senate and four-fifths of the southern members of the House voted in favor of every one of Woodrow Wilson's wartime policies. The exceptions tended to be found in the Highland South. Among the Highland southern allies of the Yankee isolationists in the years preceding World War I was a populist Democratic senator, Thomas P. Gore of Oklahoma—the grandfather of novelist Gore Vidal and an ancestor of the late Tennessee Senator Albert Gore, Sr., and his son, Vice President Al Gore. His "Gore Resolution" prohibited travel by U.S. citizens on armed merchant vessels.

Between World War I and World War II, the leaders of isolationism in Congress were William E. Borah (R-Idaho), Hiram Johnson (R-Calif.), George Norris (R-Nebr.), and Robert La Follette, Sr. (R-Wis.). Although often described as "midwestern conservative isolationists," they were all actually Greater New England progressives, usually to the left of center in domestic policy. Another of their number, North Dakota Senator Gerald P. Nye, became an important progressive anti-interventionist. In 1934–35, Nye chaired a Senate committee investigating allegations that the munitions industry and international finance had drawn the United States into the Great War. According to the historian Thomas N. Guinsberg, Nye, along with Arthur Vandenberg (R-Mich.) and a Missouri Democrat, Bennett Champ Clark, then staged "a most effective preemptive attack that took the leadership of foreign policy away from the White House." They passed neutrality laws similar to those of the years preceding World War I—and also similar to legislation passed by the northern-dominated

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Democrats in Congress during their later attacks on presidential foreign policy prerogatives in the 1970s and 1980s.

As war with Hitler appeared imminent, the American political elite was divided along regional lines, rather than partisan or ideological ones. Southern Democrats like Senators Harry Byrd and Carter Glass of Virginia supported F.D.R.'s military policy even though they bitterly opposed the New Deal. As war with the Axis approached, Representative Luther Patrick of Alabama joked that "they had to start selective service to keep our boys from filling up the army" as volunteers. The isolationist America First Committee succeeded least in the South.

At the same time, many northerners, both Democrats and Progressive Republicans like La Follette, endorsed the New Deal while opposing F.D.R.'s military measures in exactly the same way many northern Democrats and liberal Republicans later supported the civil rights and welfare programs of Harry S Truman and Lyndon B. Johnson while opposing their anti-Soviet foreign policies. The New Dealer Rexford Tugwell pointed out that the West (that is, Greater New England) supported F.D.R.'s progressivism at home but not his interventionist foreign policy, while the South supported interventionism abroad but not a progressive domestic policy. In August 1941, just months before Pearl Harbor, interventionist southern Democrats provided the votes to save the extension of the draft law from defeat. In the fall came the vote on amending the Neutrality Act. Seven southern states cast all their votes to revise "neutrality" to let the United States aid Britain in its struggle with Hitler. Four Greater New England states—Iowa, North Dakota, South Dakota, and Idaho—cast all their votes against the measure. By providing Roosevelt with a narrow margin of victory on preparedness measures, southern interventionist representatives played a key role in defeating Nazi Germany.

AMERICA'S REGIONAL COLD WAR SPLIT

THE PATTERN of northern isolationism and southern interventionism continued into the Cold War. Ohio Senator Robert A. Taft voted against both the Marshall Plan and NATO. The legacy of Greater New England isolationism also explains the curious fact that William Langer, a progressive Republican senator from North Dakota, opposed

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the Senate's censure of Wisconsin's Joseph McCarthy—and the fact that McCarthy was admired by Robert La Follette's son Philip. McCarthy's hatred and suspicion of U.S. national security agencies resonated with many left-of-center progressive isolationists in Wisconsin and surrounding states. Indeed, it is no accident that the same region produced both McCarthy, determined to expose alleged communist subversion of American national security agencies in the 1950s, and Idaho Senator Frank Church, determined to expose the immorality of the CIA in the 1970s. Both McCarthy and Church must be understood in the context of two centuries of Greater New England opposition to standing armies and the national-security state. Nor is it an accident that it was McCarthy of Wisconsin's attack on the Virginia-bred General George C. Marshall and the largely southern U.S. Army that finally led to the demagogue's downfall at the hands of the southern-dominated U.S. Congress. Significantly, the most influential school of anti–Cold War thought in the academy and press was the "Wisconsin School."

The regional continuities in American foreign policy during the Cold War are clear despite the political realignment of 1964–94, in which the two parties exchanged their constituencies. As the right-wing Goldwater movement, based in the South and the West, became more powerful in the GOP, growing numbers of progressive and liberal Republicans from New England and Yankee states like Ohio, Michigan, Wisconsin, the Dakotas, and Oregon joined the Democratic Party. At the same time, blacks deserted the party of Lincoln and joined their traditional northern Protestant and Jewish white allies in the Democratic coalition. Meanwhile, white southerners and, more slowly, northern white Catholics moved into the Republican Party. By the early 1970s, the Greater New England Protestant-black-Jewish alliance had captured the national Democratic Party. Following the congressional election of 1974, conservative and moderate southern Democratic committee chairmen were purged by mostly northern left-liberal reformers. (In 1956, two-thirds of the Democrats chairing House committees had been southerners.)

The reason for the collapse of Cold War liberalism in the Democratic Party was not Vietnam but the transformation of the party's

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base. Even if there had been no Vietnam War, the Democratic Party probably would have become more isolationist in the 1960s and 1970s as its demographic base moved northward. Many of the antiwar activists and politicians came from backgrounds or regions formerly associated with Republican progressivism and anti-interventionism. Lyndon Johnson, a product of the old southern-northern Catholic New Deal coalition, found himself presiding over a party increasingly identified with antimilitary northern Protestants and Jews. Lady Bird Johnson marveled in 1967 at the way that the Republicans supported the Cold War while the Democrats were abandoning it: "Lyndon and I watched Senator John Tower for the Republicans and Senator Joe Clark for the Democrats on television—the *Today* show—talking about Vietnam. What a twist of fate it is to see the administration—indeed, us—being explained, backed, yes, even defended by John Tower, while that red-hot Democrat Joe Clark slashes at the administration's policy with rancor and emotion." What escaped the First Lady's attention was the fact that the difference was less partisan than regional: Tower was from Texas, Clark from Pennsylvania. (Senator George Aiken, famous for saying that the United States should declare victory and get out of Vietnam, was from Vermont.)

The divisions within the Republican Party over Vietnam also followed geographic fault lines familiar from earlier American wars. Northern Republicans tended to be more dovish than southern Democrats. At a 1965 Republican governors' conference, the only two governors who refused to sign a pro-war resolution were from the Greater New England anti-interventionist belt: George Romney of Michigan and Mark Hatfield of Oregon. In spring 1967, three Republican senators from Greater New England—Jacob Javits of New York, Charles Percy of Illinois, and Margaret Chase Smith of Maine—met to promote a more dovish line for the GOP. The drift of Greater New England Republicans into the Democratic fold was symbolized by the conversion of Senator Floyd Haskell of Colorado, an antiwar Republican.

The contrast between northern anti-interventionism and southern interventionism can be illustrated by a comparison of Idaho Senator Frank Church and Representative Mendel Rivers of South Carolina,

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who chaired the House Armed Services Committee from 1965 to 1970. Church, a harsh critic of U.S. Cold War policy and national security agencies like the CIA, was photographed in 1966 holding up a picture of his hero and predecessor in the Senate from Idaho: William Borah, the Republican interwar isolationist. Rivers, reflecting the tradition of nineteenth-century South Carolina "fire-eaters," summed up his attitude toward Vietnam thus: "Words are fruitless, diplomatic notes are useless. There can be only one answer for America: retaliation, retaliation, retaliation, retaliation! They say, Quit the bombing. I say, Bomb!"

Cold War liberalism did not collapse because of Vietnam.

Northern congressional Democrats in the 1970s, turning against the interventionist heritage of the disproportionately southern and Catholic Cold War liberals, revived techniques used by the isolationist northern Republicans of the 1930s, like banning U.S. military aid to factions in countries like Angola and Nicaragua and attempting to strip the presidency of foreign policy powers. The leader of the movement in favor of a War Powers Act was a Democratic representative from historically anti-interventionist Wisconsin, Clement J. Zablocki.

The domestic divisions over U.S. foreign policy in the 1980s, Peter Trubowitz writes, "were also sectional, not ideological. . . . While Cold War internationalism continued to strike a responsive chord in the South, it had lost much of its appeal in the Northeast." (Indeed, the Cold War never had much appeal in the Northeast, except in regions with large numbers of anticommunist Catholics). According to Trubowitz, "Most of the so-called doves were liberal Democrats and Republicans" from the Northeast, whereas the "hawks were a group made up of conservative Democrats from the South and Republicans from the West."

The Greater New England anti-interventionist bloc coalesced once more in the 1980s behind the nuclear-freeze movement, which won the endorsement of 446 New England town meetings. The sponsors of the first congressional resolution backing the nuclear freeze came from Massachusetts (Senator Edward Kennedy and Representative Edward J. Markey) and Oregon (Senator Mark Hatfield). Three out of four voters in Massachusetts supported the

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nuclear freeze; Cambridge, Massachusetts, and Ashland, Oregon, among other cities in the isolationist belt, declared themselves "nuclear-free zones."

Meanwhile, white southern Democrats rallied behind President Reagan's militant Cold War policy. In 1980, southern whites who favored higher defense spending were 52 percent Democratic and 34 percent Republican; by 1984, they were 49 percent Republican and 38 percent Democratic. Almost 80 percent of southern whites who voted for Reagan believed that defense spending should be increased beyond Reagan's buildup—itself the largest peacetime buildup in U.S. history.

White southern Democrats rallied behind Reagan's militant Cold War policy.

By the 1990s, the Tidewater South was the most solidly Republican region, and Greater New England was the bastion of the Democrats. Enough southerners left the Democratic Party after 1960 to give the Republicans a majority in both houses of Congress by 1994 and a near lock on the White House from 1968 to 1992. The regional polarization of the two parties was reflected in the congressional vote authorizing President Bush to wage war on Iraq. Most Democrats voted against the measure, and most of the dissenting Democrats whose alliance with the Republican minority let the declaration of war pass were southerners.

At first glance, the pattern of partisan attitudes toward Kosovo appears not to fit the familiar pattern. Many southern conservatives opposed the NATO campaign against Serbia, while many northern liberals supported it. On close examination, however, the North-South split is still faintly discernible through the superimposed palimpsest of party loyalties.

On April 28, the House of Representatives voted on several proposed endorsements of the war. The votes were mostly partisan; the Republican majority that had impeached President Clinton voted against his Balkan policy, while most Democrats rallied behind their party's leader. Such partisan loyalty was made easier, no doubt, by the fact that the NATO campaign did not seem to the public like a major war (indeed, no American soldiers were killed in combat).

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Even so, the deviations from the partisan norm were instructive. Representatives from Greater New England states like Wisconsin, Minnesota, Washington, Oregon, Illinois, and Ohio were overrepresented among the Democrats who broke with their party to vote against Clinton's bombing campaign. The only Texan Democrat who did so was Lloyd Doggett, who represents liberal Austin, a major college town. Just as significant was the regional identity of the Republicans who voted to formally authorize the Balkan war. Approximately half of these were from southern or southwestern states. Virginia alone provided a fifth of the Republicans who broke with their party to back the bombing. Even more significant, another resolution in which Congress, on behalf of the U.S. government, would have formally declared war on Yugoslavia was supported by only two members of the House, one from Texas (Joe Barton, a Republican) and one from Mississippi (Gene Taylor, a Democrat). However distorted by the Clinton-era politics of scandal, the old regional pattern still holds.

WAR AND AMERICAN REGIONAL CULTURE

THE HISTORICAL RECORD, then, could not be clearer. There is a centuries-old anti-interventionist, antimilitary culture in the United States, centered in New England and the regions of the Great Lakes, the Midwest, the Upper Plains, and the Pacific Northwest settled by New Englanders. In the twentieth century, as European Catholic immigrants diluted the influence of Yankee Protestant stock in New England itself, the epicenter of this political culture shifted westward to the Middle West and Far West. For generations, the isolationists of Greater New England have battled the pro-military interventionists of the Tidewater South. The populists of the Highland South have often been divided over foreign policy, as they were divided in their loyalties during the Civil War and the American Revolution. The pedigree of Yankee isolationism runs from the New England Federalists through the northern Whigs and northern Democrats who opposed the Mexican War to the New England anti-imperialists of the late nineteenth century, the liberal Republican anti-interventionists of the first half

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of the twentieth century, and the anti–Cold War northern liberal Democrats of the second half. Today's pro-military, interventionist Republicans, for their part, are the political heirs of the pro-military, interventionist Roosevelt and Wilson Democrats, as well as of the expansionist Democrats of the early nineteenth century and their predecessors, the Jeffersonian Republicans who favored the War of 1812.

North and South persistently disagree about America's wars.

What accounts for this remarkably persistent pattern of North-South disagreement about the necessity and legitimacy of U.S. military intervention abroad? Traditional accounts of U.S. interventionism and isolationism have explained them in terms of the ties between immigrant groups and Old World countries. This explanation does help account for the opposition of German Americans and anti-British Irish Americans to U.S. intervention in both world wars. But political scientists like Samuel Lubell who attribute interwar American isolationism chiefly to the influence of German and Irish American voters are mistaken. Isolationist sentiment from 1914 to 1941 was strong in many northern states with negligible German and Irish populations.

Quasi-Marxist economic determinist explanations are no more convincing. In *Defining the National Interest,* Trubowitz attributes the persisting sectional divisions between the hawkish South and the dovish North to different regional economies. Given the South's enthusiasm for other American wars, it is not necessary to explain southern hostility to Hitler and his allies, as Trubowitz does, in terms of a southern strategy of defending overseas markets for cotton exports. The "agrarian" explanation of Greater New England isolationism is no more convincing. The historian Paul Michael Rogin speculates that the opposition of North Dakota Senators Quentin Burdick and George McGovern to the Vietnam War "owes something to the radical agrarian heritage." But agrarianism cannot explain both the anti-interventionism of the North and the interventionism of the South.

The real reason for the persistence of sectionalism in U.S. foreign policy can be found in the "ethnoregional" theory of American politics,

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which has been developed by David Hackett Fischer, Daniel J. Elazar, D. W. Meinig, Kevin Phillips, and others. This theory holds that, in the United States, powerful ethnic and regional subcultures are more important and enduring than political parties or ideologies. The meaning of "Democrat" and "Republican" differs from generation to generation; regional subcultures like those of New England and the Tidewater South change far more slowly.

The greatest insight of ethnoregional theorists is that immigrants in the United States do not assimilate into a uniform American national culture but assimilate into one of a small number of preexisting regional cultures. The historian Wilbur Zelinsky defined a "Doctrine of Effective First Settlement," which holds that "whenever an empty territory undergoes settlement, or an earlier population is dislodged by invaders, the specific characteristics of the first group able to affect a viable, self-perpetuating society are of crucial significance for the later social and cultural geography of the area, no matter how tiny the initial band of settlers may have been." According to Zelinsky, "in terms of lasting impact, the activities of a few hundred, or even a few score, initial colonizers can mean much more for the cultural geography of a place than the contributions of tens of thousands of new immigrants a few generations later."

Historians disagree about how many such enduring regional cultures there are in the United States. But most scholars agree on at least three: a "Yankee" culture that spread westward overland from New England, a "Quaker" culture originating in Pennsylvania, and a "Cavalier" culture originating in the coastal South. Most, but not all, include a fourth regional culture, that of the Scots-Irish Highland South, from Appalachia to the Ozarks and Texas.

In addition to distinctive folkways and dialects of English, these four groups of British American immigrants also had their own unique variants of a common individualistic and liberal British political culture. Fischer describes the New England Puritan ideal as "ordered freedom," the Quaker ideal as "reciprocal freedom," the Scots-Irish ideal as "natural freedom," and the Tidewater southern ideal as "hegemonic freedom" (essentially, deference to traditional elites). Elazar calls the New England tradition the "moralistic" culture, the mid-Atlantic tradition the

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"individualistic" culture, and the coastal southern tradition the "traditional" culture.

These British American regional cultures have been overlaid and altered by waves of European and, more recently, Latin American and Asian immigration. The concentration of European Catholic immigrants in the industrial belt more or less effaced the older mid-Atlantic Quaker region. By 1955, New England itself had ceased to be "Yankee"; thanks to European immigration, fewer than 30 percent of Connecticut's inhabitants had ancestors who had lived in New England for more than two generations. The Yankee tradition therefore lived on chiefly in the Great Lakes region, the upper prairie, and the Pacific Northwest. Along with the Scots-Irish Highland South and the Anglo-American Tidewater South, the western section of Greater New England has been little affected by large-scale immigration, other than that of German and Scandinavian Americans whose cultures have tended to reinforce Yankee norms. These three regions show greater continuities in attitudes toward foreign policy than do areas like the industrial Midwest, California, and the Southwest, where populations have been churned by massive immigration and relocation. Contrary to popular belief, regional cultures have proven to be far more stable than the ethnic cultures of immigrant groups, which usually fade away after a generation or two.

The ethnoregional theory answers the mystery of American sectional differences over war. Regional disagreements about intervention overseas are part of a larger pattern of regional disagreement about the legitimacy of all forms of violence. "Historians of Southern mores are agreed that violence as an aspect of Southern life clearly distinguished the region from the rest of the country," the historian Bertram Wyatt-Brown has written. Of the southerner, Alexis de Tocqueville observed that "the energy which his [northern] neighbor devotes to gain turns with him to a passionate love of field sports and military exercises; he delights in violent bodily exertion, he is familiar with the use of arms, and is accustomed from a very early age to expose his life in single combat." Southern states lead the nation not only in military academies but in homicide rates, death penalty laws, and low penalties for domestic violence.

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Northern states have the lowest homicide rates and the greatest number of statutes requiring a citizen to retreat before attacking an assailant or burglar.

These regional differences reflect the divergence in moral systems between the post-Calvinist Puritanism of Greater New England, which shuns violence as a means for resolving disputes, and the cultures of honor of the Scots-Irish Highland South and the Anglo-American Tidewater South. The two southern cultures are quite different. But compared to Greater New Englanders, both Highland and Tidewater southerners approve more of violent retaliation for insults. Southerners are not indiscriminately violent. The difference between northern and southern homicide rates stems almost entirely from the violent responses of southerners to personal offenses: arguments, insults to women, lovers' quarrels, and family disputes. The researchers Richard E. Nisbet and Dov Cohen discovered that, at the same university, white southern students were more likely to respond aggressively than white northern students to the same set of insults and provocations. The same researchers have pointed out the similarities between the culture of honor of white southerners and that of inner-city African Americans, most of whom are descendants of southern migrants.

> The idea of American exceptionalism is a northern one.

In addition to different attitudes toward violence, both collective and personal, Greater New Englanders and southerners have inherited different conceptions of the character of the United States. The idea of American messianism or exceptionalism, of a special American destiny in the world, is a northern idea—a secularized version of the Calvinist utopia of the perfect Puritan commonwealth, safe in the New World from the corrupting influences of the Old. The power of this utopian tradition, in both its Protestant and secular forms, explains why almost every wave of social and moral reform in American history has emanated from New England or areas like California initially settled by New Englanders: abolitionism, prohibition, animal rights, pacifism, suffragism, and, most recently, the antismoking movement. By contrast, the Tidewater southern gentry and the Highland southern

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yeomen have viewed North America in terms of cheap land and quick wealth. For southerners, British North America is a new England, different in scale but not in kind from the old England; for the Puritans and their cultural descendants, North America is, or should be, a new Jerusalem.

The fundamental incompatibility of the rival regional mentalities was captured by Henry Adams: "The Pilgrims of Plymouth, the Puritans of Boston, the Quakers of Pennsylvania, all avowed a moral purpose, and began by making institutions that consciously reflected a moral idea. No such character belonged to the colonization of 1800. From Lake Erie to Florida, in a long, unbroken line, pioneers were at work, cutting into the forest with the energy of so many beavers, and with no more moral purpose than the beavers they drove away. The civilization they carried with them was rarely illumined by an idea. . . ." Of the mostly southern Jeffersonian Republicans, this quintessential Yankee intellectual, the descendant of two scholarly Massachusetts presidents, wrote, "I am at times almost sorry that I undertook to write their history, for they appear like mere grasshoppers kicking and gesticulating on the middle of the Mississippi River. There is no possibility of reconciling their theories with their acts . . ." To southerners, even intellectual and progressive southerners, the notion that a government or society should be organized according to a "theory" or "idea," rather than on the basis of tradition and custom, was the ultimate in New England madness.

The House has usually been more hawkish than the Senate.

The ethnoregional theory also clears up a minor historical mystery. For much of the twentieth century, American historians (most of them northerners) struggled to understand why the South had been so ardently in favor of war with Britain in 1812. Surely, they thought, the pretext that America's "national honor" had been insulted by British practices like the kidnapping and conscription of American sailors had to conceal other motives. Some historians speculated that economic greed, not maritime grievances, was the "real" reason for the War of 1812. In recent decades, however, several historians have argued that national honor must be taken seriously as a motive for the War of 1812. Unlike New England Puritans, Pennsylvania Quakers, and midwestern Germanic Protestants,

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southerners based their way of life on the violent defense of honor—personal honor, family honor, communal honor, and national honor.

Fischer notes that the only time the Federalist Party, based in New England, gained the support of Tidewater and Highland southerners was during "the quasi-war" with France in 1798–99. This suggests that southerners were motivated by cultural attitudes rather than by strategy during the Napoleonic Wars. Southerners were just as enthusiastic about fighting France and helping Britain in 1798–99 as they were about fighting Britain and helping France in 1812–14. There was a world war on, and southerners wanted a fight; choosing whom to fight was a secondary matter. "The war fever of [1798] marked the beginning of a consistent pattern in American military history," Fischer writes. "From the quasi-war with France to the Vietnam War, the two southern cultures strongly supported every American war no matter what it was about or who it was against. Southern ideas of honor and the warrior ethic combined to create intense regional war fevers in 1798, 1812, 1846, 1861, 1898, 1917, 1941, 1950 and 1965."

The ethnoregional theory also explains another curious fact of American political life—the tendency to find the most outspoken doves in the Senate, rather than in the House. For example, two senators from Idaho—the progressive Republican William Borah and the liberal Democrat Frank Church—symbolize the hostility of left-of-center anti-interventionists to national security agencies and foreign wars. The underpopulated states of New England and the Yankee-settled northern tier and Rocky Mountain states have disproportionate clout in the Senate, thanks to the provision that allots Senate seats on the basis of statehood rather than population. Throughout American history, the House has usually been more hawkish than the Senate because the nation as a whole has been more hawkish than the overrepresented inhabitants of Greater New England.

REFIGHTING THE CIVIL WAR

THERE IS no reason to believe that America's regional divide in foreign policy attitudes will diminish any time soon. The melting away of regional subcultures has frequently been announced, but it has not yet occurred, and it may not occur. The geographic mobility of Americans may actually reinforce regional subcultures by encouraging a voluntary

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partition, with liberal southerners moving to the North and conservative northerners fleeing Boston or New York for the more congenial environments of Atlanta or Dallas.

The division between socially liberal, anti-interventionist, and antimilitary northerners and socially conservative, interventionist, and pro-military southerners is as old as the American republic. This divide manifested itself throughout the New Deal period of Democratic hegemony, when both camps had representatives in both parties. Since the 1960s, however, the two national parties in the United States have become more internally coherent and regionally polarized than at any time since the 1920s.

A government divided along regional lines is a recipe for paralysis.

For the foreseeable future, therefore, the pattern of the past generation will persist. Although there will be Democratic hawks and Republican isolationists, in general the Republicans, with their new base in the South, will back a strong military and an assertive defense policy; the Democrats, rooted in Greater New England, will favor defense cutbacks and strategic retrenchment. The differences in attitudes toward national security policy, rooted in regional moral conceptions, will be reinforced by differing economic interests. The South and the Sun Belt have traditionally favored free trade because neither their old agricultural industries nor new high-tech industries (like computers or aerospace) are threatened by foreign competition—unlike the old manufacturing industries of the northeastern-midwestern Rust Belt. The booming U.S. economy of the late 1990s, along with the absence of major foreign military threats, masked these conflicts of values and interests. But a recession or new security threats might lead once again to bitter political conflict between the pro-military, free-trade faction based in the South and Southwest and the anti-interventionist, protectionist Northeast.

In the long run, demography may favor the southern coalition. The core white Democratic constituencies—Greater New England Protestants and Jews—have low birth rates. Northeastern states lose congressional seats to the South and West with every census. Blacks, the most loyal Democratic voting bloc, will soon be outnumbered by

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Latinos, whose long-term loyalty to the northern Democratic coalition is far from certain. Indeed, many, if not most, assimilated Mexican Americans will find southern traditionalism more familiar and attractive than the values of the post-Puritan North.

Enduring regional divisions will be reflected in institutions as well as parties. The southerners who are disproportionately represented in the leadership of the U.S. military and the Republican Party will tend to view the proper goals and instruments of U.S. foreign policy radically differently than will the northerners overrepresented in the prestige media, universities, and the Democratic Party. The breakdown of the largely northeastern bipartisan foreign policy establishment in the 1960s and 1970s has led to the formation of rival Democratic and Republican foreign policy elites. If these rival elites, over time, recruit from different regional populations, profound cultural and moral differences may come to divide southern and western hawks from northern and eastern doves.

Such polarization is bad for the United States and its allies for several reasons. If changes in party control of the federal government result in dramatically different foreign policies, America's reliability as an ally will be thrown into question. The capture of different branches of the U.S. government by regionalized parties with incompatible conceptions of the national interest is a recipe for paralysis.

Public policy can do little to alter the enduring regional subcultures in the United States. Still, a few institutional reforms might reduce the direct translation of regional differences into political rivalries. A conscious effort by Republicans and Democrats to represent all regions in their parties would benefit both the parties and the country as a whole. Although unlikely, electing the House by proportional representation would make it easier for northern conservatives and southern liberals to elect representatives. By weakening the solid conservative South and the solid liberal North, this would detach ideological liberalism and conservatism from regional identity. The federal government and the states might pass laws to encourage the physical decentralization of the media, now concentrated in New York and on the northeastern seaboard, to try to make the media elite reflect America's regional and cultural diversity. Reinstating the draft,

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if necessary for other reasons, would have the added advantage of diluting the overrepresentation of southern conservative Republicans in the military. In Congress, the traditional division between the foreign relations committees (dominated by northerners) and the armed services committees (dominated by southerners) might be overcome by merging them into a single foreign policy or national security committee in each house. In addition, the overrepresentation of anti-interventionist, antimilitary Greater New Englanders in the malapportioned Senate could be neutralized by merging House and Senate foreign policy committees into a single joint foreign policy committee—a reform that would also strengthen the leverage of Congress as a whole in its dealings with the presidency. These reforms are not likely. But in their absence, U.S. foreign policy will continue to be what it all too often has been: civil war by other means.

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Reviews

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Cricket club trading card, Columbia, Penn., late 19th century

To instill the spirit of fair play, Theodor Herzl decreed that all boys in his Jewish state would play cricket.

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Review Essay

The Importance of Being English

Eyeing the Sceptered Isles

David Fromkin

The Blessed Plot: Britain and Europe From Churchill to Blair. BY HUGO YOUNG. Woodstock, New York: Overlook, 1999, 543 pp. $39.95.

Anglomania. BY IAN BURUMA. New York: Random House, 1999, 304 pp. $25.95.

On December 22, 1941, only a fortnight after the Japanese attack on Pearl Harbor brought America into World War II, British Prime Minister Winston Churchill and his entourage flew to a three-week conference in the New World code-named Arcadia. In the course of Arcadia, the two countries agreed to establish a combined Joint Chiefs of Staff to direct their armed forces worldwide, and the British agreed that these supreme commanders should be located not in London, but in Washington. It was a partnership weighted toward the Americans: day-to-day military decisions for both countries were to be made in the United States.

In September 1943, Churchill proposed to President Franklin D. Roosevelt that after victory had been achieved, the wartime arrangement—a joint high command located in the United States—should continue, initially on a ten-year renewable basis, but in the hope that one day it might become permanent. "Roosevelt liked the idea at first sight," the prime minister reported to his colleagues and to King George VI.

Although Churchill often was derided as a romantic reactionary, addicted to empire and unwilling to recognize the harsh realities of the twentieth century, he showed himself on this point able and willing to face facts. He saw that the United Kingdom was losing its place as

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the world's foremost power—permanently. Relative economic decline was the main cause; it also was part of the price that fate exacted from Britain for having fought the German wars from start to finish. Changes in the ranks of great powers are normal in history. What is unusual—perhaps even unique—is that Britain relinquished its top position to its successor consciously and, to the extent that it had a choice, voluntarily.

At the time, not all British officials agreed that global supremacy had been lost. In 1945 it was the view of the Foreign Office that Britain "possesses all the skill and resources required to recover a dominating place in the economic world." But Sir Henry Tizard, chief scientific adviser to the Ministry of Defense, came closer to the mark a few years later when he wrote, "We persist in regarding ourselves as a great power, capable of everything and only temporarily handicapped by economic difficulties. [But] we are not a great power and never will be again."

Churchill had evidently hoped to maintain his country's global dominance by leaning on the Americans. But his Labour successors in office (1945–51) chose instead to wind down Britain's commitments when they found they could no longer afford them.

ONE FINE DAY

Surprisingly, the exact date and place at which Britain handed over leadership to the United States has been pinpointed both by participants and by historians. It was in Washington in the late afternoon of Friday, February 21, 1947—a cold, gray, and rainy day—that the first secretary of the British embassy delivered to the Department of State a note that later was to become famous. The note told then Secretary of State General George C. Marshall that Great Britain no longer could shore up the free world's positions in the eastern Mediterranean in the face of a threatening Soviet Union. British aid to Greece and Turkey would terminate on March 31. If the United States wished to take Britain's place, it should prepare to do so effective April 1.

In a burst of energy and creativity, the American government took hold of the torch and ran with it, formulating the Truman Doctrine, the Greek-Turkish aid program, and the Marshall Plan. Europe reacted positively, for which a major part of the credit must go to Britain's Ernest Bevin, foreign secretary in Clement Attlee's Labour administration. Like many Western European and American leaders at the time, he feared that the United States would withdraw into isolation after the Second World War, as it had after the First. It was Bevin who initiated the European response to the Marshall Plan. It was Bevin, too, who organized a European mutual defense league; and after Norway asked for support when threatened by the Soviets in 1948, it was Bevin who drew in the Americans to form NATO. For a few episodes in 1947–48, Britain played the role in world affairs that the United States wanted it to play, and America played the part that Britain wanted for it.

But from there on, their paths diverged. The role of the United States grew over the years. Before long America had a presence in most parts of the world. Instead of believing, as they once had, that nothing outside the western hemisphere concerned them, Americans came to believe that almost everything everywhere

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was their business. They entered a global conflict with the Soviet Union, one superpower against another, and ultimately emerged as the leader not just of the West, but of the world.

LORD OF THE RINGS

Less well explored, until now, is the story of how Britain missed its chance to adopt a new role in world politics as Europe's leader. The distinguished British journalist Hugo Young has provided a definitive account of how successive prime ministers, other politicians, and civil servants failed to meet that challenge. It should become the authoritative narrative, the point of reference in its field.

As Young tells it, Churchill left Britons a dazzling vision—but one that became an excuse for strategic indecision. In Churchill's view, Britain was to be at the center of three concentric circles: a Europe that would unite, a commonwealth and empire that would cohere, and a United States that would serve as Britain's partner.

Yet by the war's end, one of the options was on the verge of becoming untenable. The Attlee government embarked on a program of dissolving the empire. India received independence. Later the Tory government of Macmillan and Macleod pushed forward decolonization in Africa as well.

Politically the empire ceased to exist as a cohesive unit. And in a world that aimed at free trade, the tariff barriers that bound the Commonwealth economically threatened to become an anachronism. So whereas in the first half of the twentieth century, Great Britain still played a central role on the world stage as leader of a commonwealth and an empire, in the latter half both had disintegrated and the role had become ceremonial.

EUROPEAN (DIS)UNION

The second of Churchill's concentric circles was to be the community of Europe. It leaped into existence in May 1950, when French Foreign Minister Robert Schuman proposed the creation of the European Coal and Steel Community, a plan conceived of by France's postwar economic comissioner, Jean Monnet, welcomed by German Chancellor Konrad Adenauer, and supported by U.S. Secretary of State Dean Acheson. The plan for combining basic industries was the first step toward merging continental Europe's economies with the aim, among others, of preventing future wars.

Ernest Bevin balked. The Schuman Plan had been sprung on him as a surprise. It looked like a plot, a continental cartel, and aroused all sorts of English prejudices in him. By joining Europe, Britain might have taken the lead, but it chose instead to watch, to wait—and to obstruct.

The European movement went forward anyway. It thrived. Time and again, Britain had a chance both to join it and to lead. There was a strong economic argument for becoming European. But the British remained reluctant to throw in their lot unreservedly with their neighbors, fearing for their independence and special character. When the United Kingdom finally moved to enter Europe, French President Charles de Gaulle barred the way. In the end, the United Kingdom got in in 1973, but as a dissenter, inclined to oppose moves toward further unification.

For hundreds of years, Britain has opposed the unification of the continent under one dominant power, seeing in it a

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threat to the vital interests of an island nation. England fought Louis XIV and Napoleon, whose Continental System excluded the British isles from European trade. Young quotes de Gaulle's memoirs on a meeting with Harold Macmillan: "The Common Market is the Continental System all over again," the British prime minister told his old friend, the French president. "Britain cannot accept it," Macmillan told him. "I beg you to give it up."

Young has interviewed extensively and tells a tale of Foreign Office officials and other civil servants as well as prime ministers and cabinet members. He offers a full and complete account, a sad tale of official waffling, missed chances, and human frailties. Faced with one of the greatest questions in their country's history, the few British officials who were wise and brave emerge with all the greater credit.

A QUESTION OF CHARACTER

Reluctant to become European, many in British public life advocated an alternative alliance: the special relationship with the United States. A second argument against joining Europe often voiced was that it might jeopardize that relationship.

But it was not there to jeopardize. Repeatedly, America's leaders made it clear that this option was not available. The most frequently repeated statement of the American position was given by Dean Acheson when addressing a student conference at West Point in 1962: "Great Britain has lost an empire and has not yet found a role. The attempt to play a separate power role, that is, a role apart from Europe, a role based primarily on a 'special relationship' with the United States, a role based on being head of the Commonwealth," is "about played out." The former secretary of state spoke at the time only as a private citizen. Yet his words carried weight, and accurately stated the American view.

The reality of national character is sometimes questioned, yet it is difficult to discount. Its existence, as Hans Morgenthau wrote long ago in *Politics Among Nations*, is "contested but . . . incontestable." Any discussion of Britain's relationship with the continent of Europe—the only area in which Acheson allowed the British a role to play—tends to end in an appreciation of how different Britons are from everybody else.

Ian Buruma considers Britain's relationship with Europe in that cultural context. In *Anglomania* he explores the notion of what it is to be British according to foreigners. It is a rewarding undertaking; Britain has had, and continues to have, such an odd character in the eyes of others. The non-British are fascinated by British whimsy, baffled by British humor and eccentricity, and filled with admiration for British good-sportsmanship.

In her centuries as a top player in international politics, Britannia has made her share of enemies. What is striking is how many admirable traits foreigners nonetheless project on the English, and how widespread has been the passion for Englishness. All over the world, among peoples of various nationality, race, language, and religion, there are those who, regarding themselves as exceptional, believe that, deep down, they are English gentlemen.

Buruma recounts that Theodor Herzl, the father of Zionism, in sketching out the utopia he planned to establish, provided that "all boys born in the Jewish state would learn to play cricket." In a similar

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spirit, Pierre de Coubertin (1863–1937), founder of the modern Olympic games, decided to instill the spirit of fair play in his countrymen by introducing cricket into France.

But can Englishness be taught? Beneath the wonderful charm and gentle humor of Buruma's very personal book, filled with family anecdotes, lies that serious question. Buruma, who makes reading a pleasure and writing seem easy, entertains but also aims to instruct. He wants Britain to join Europe. He believes that Europe can change Britain for the better. But he also believes Britain can change Europe for the better: he wants the British to bring their special virtues of moderation, good sense, and humor into the great mix. But for that to work, Englishness must be exportable.

Buruma shows that whether Englishness is in fact exportable is the question on which all else depends, in assessing Britain's role in Europe's future—and vice versa. But *Anglomania* is too tentative, too slight, too unsystematic—dare one say, too English?—to provide a definite answer, let alone a definitive one.

Just as much of the world has glorified Great Britain, there is also a book to be written about how the British, over the course of history, have defined themselves. Here, too, there would be much whimsy and eccentricity. More seriously, there would be traits that led to distinctive traditions in law and politics: traits that usually have been defined in terms of differences from continental Europeans.

The English Channel is not very wide. Even in earlier times, it did not provide much of a barrier. Julius Caesar crossed it, as did the legions of the emperor Claudius, who brought the Roman occupation. Centuries later, Angles, Saxons, and other Germanic tribes found their way to Britain's shores and swept over the land when the Romans left. Vikings raided in their longboats more than a millennium ago. William the Conqueror crossed from Normandy in 1066, bringing the British isles into the ambit of French and therefore continental politics.

In the Elizabethan era or thereabouts the English separated themselves from the continent by developing sea power. From then on, the islanders defended themselves by controlling the Channel rather than their own shoreline: the sinking of the Spanish Armada in 1588 (even if an act of fate) was the symbolic beginning of that. The oceans provided the country, as a nascent sea power, with almost endless frontiers. And in repelling the Hapsburg empire, England stood for freedom, for the independence of smaller countries, and against all that was associated with the Spanish Inquisition. These strands were woven into the national myth.

In the seventeenth century the English took on new characteristics. After much political experimentation, they settled on moderate, liberal, constitutional democracy—and came to believe, with John Locke, that an ancient and not entirely relevant Magna Carta guaranteed them the rule of law. The law in which they believed, moreover, was not the code of a divine or imperial lawgiver, but the Common Law: ancient wisdom, precedent, accreted case by case, the product of experience rather than pure logic.

This was how the British saw their character in law, government, and politics. It stood in stark contrast to that of France and the continent, their supposed partners in European union. France, for example,

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saw itself as Cartesian, ruthlessly logical; it governed from the center and micromanaged, passing laws based on principle rather than experience. And it was the British, not the European, approach that was handed down to and shared with the United States of America.

OVER HERE

Acheson said that Britain never really had a choice between entering Europe and maintaining the special relationship with America. Hugo Young clearly believes that too, and quotes with approval Britain's current prime minister, Tony Blair, who said (in 1995) that Britain's role was to be "a major global player," but that it could fulfill that role only by using Europe as a base. Blair, Young tells us, was the first prime minister "elected on a ticket that said he was entirely comfortable to be a European." His coming to power was, in Young's view, the end of a half century of refusing to face reality. True enough, and yet Blair has not turned away from America in order to do so. He enjoys at least as special a relationship with the United States as did Margaret Thatcher and is looked on by the White House as a partner.

Adversaries in the eighteenth and nineteenth centuries, Britain and America became allies early in the twentieth. They had always shared beliefs and values, language and literature; but theirs was less than a full alliance while their respective power standings remained in flux and while they engaged in cutthroat trade rivalry. That came to an end during and after the Second World War.

Yet even after the war, the United States still had one major quarrel with its mother country, one important enough to prevent a full alliance: the existence of the British Empire. America was always opposed to Europe's possession of overseas colonial empires, and showed it unmistakably over Suez in 1956, when the United States stood with the Soviet Union against Britain and France. Britain's dissolution of its empire in the 1960s changed the transatlantic dynamics. Now, in policies as in beliefs, the United Kingdom and the United States could be in full accord. Partnership finally became possible and remains so today.

CONVOCATION OF THE GYRES

The creation of a European union seemed a wildly improbable project in 1945. Yet here it is in 1999. Britain would be wise to play a full role in it, and to try to mitigate some of the EU's less attractive features (such as overcentralization and excessive bureaucracy).

But no longer is the American option, another of Churchill's concentric circles, unavailable. In fact, the partnership between the two countries has been revived. The Atlantic alliance is not merely available today; it is flourishing, as the world saw in the Kosovo campaign—whatever its other merits or lack thereof.

Nor need a choice between allies be made; again, Churchill seems to have been right. The two spheres are not mutually exclusive. Ian Buruma suggests that Britain should commit to Europe in part because it has so much of value to contribute to the EU. But Britain as a partner may also have a great deal to contribute to the United States, including wisdom, restraint, humor, and experience. Is there really any reason for Britain to choose between Europe and America? Isn't there enough Englishness to go around?

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Review Essay

The Grand Bargain

A New Book Demystifies European Integration

Patrick McCarthy

The Choice for Europe: Social Purpose and State Power from Messina to Maastricht. BY ANDREW MORAVCSIK. Ithaca: Cornell University Press, 1998, 514 pp. $59.95 (paper, $22.50).

> "The voluntary transfer of monetary sovereignty from the national to the European level is unique in history. However, it should not be seen as a single, isolated event. The introduction of the euro is part of the process of European integration. . . . The aims of European integration are not only, or even primarily, economic. Indeed, this process has been driven and continues to be driven by the political conviction that an integrated Europe will be safer, more stable and more prosperous than a fragmented Europe."
>
> —Wim Duisenberg, president of the European Central Bank, May 1999

One should take Duisenberg's statement with many grains of salt: why do bankers love saying that money is not what really matters? Certainly European unity is driven by history, culture, politics, and economics—if only because one cannot really separate these things.

Despite its present weakness, the euro represents the highest peak yet reached in the long climb toward integration. But as the 1997 Amsterdam Treaty shows (and the low turnout in the last European Parliament elections recently underscored), Europe's institutions are weak. Polls proclaim that the sense of European identity is feeble. As Kosovo demonstrated, a common security policy lags far behind the common currency. Charles de Gaulle argued that a state is fully legitimate only if it can defend its citizens. But the fateful decision in 1954 to reject the European

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Defense Community (EDC)—which would have created a small, integrated army with officers and soldiers of various nationalities serving in the same units—meant that Europe was doomed (or perhaps lucky enough) to become an economic power that relied on the United States to defend it. Whenever the Russian bear let out a roar, the Europeans appealed to Washington to save them. And with security issues out of the way, they focused on economics instead.

In simplified language, this is what Andrew Moravcsik's book is about. It argues that the European Union (EU) is neither the reincarnation of Charlemagne's empire nor a virtuous peoples' Europe that will sweep away warring nation-states.[1] Instead, the EU is a set of agricultural subsidies and an arrangement for free trade with a complicated system of rules worked out by the member states to protect their interests. Moravcsik's Europe is neither romantic nor unique; its leading trait is its ability to react rather slowly to economic innovation.

What makes states surrender their sovereignty? Why did 11 European countries decide to give up their currencies for the euro? As Europe marches with an uncertain but determined gait toward economic cooperation, scholars have offered competing explanations for this phenomenon. Some argue that European statesmen were intent on constraining German power or countering the Soviet Union or the United States. Others see an idealistic vision of a united, federal Europe. Another camp points to the role of institutions and supranational officials—from Jean Monnet to Jacques Delors—in explaining the rise of the European Community (EC), which emerged as these international entrepreneurs fostered new institutions and interstate negotiations to promote their own bureaucratic agenda.

Moravcsik offers a competing vision that, despite its limitations, sweeps like a cold wind through the existing literature, carrying off dead leaves and rotting branches. For him, the basic, rational desire of each state to reap commercial advantages was the motor driving European integration. The EC was not a mystical achievement of European solidarity but simply a way of adapting to the changing realities of the global economy—namely, the rise of intra-industry trade and investment and capital mobility. He explains the five European "grand bargains," from the 1957 Treaty of Rome to the 1992 Maastricht Treaty, as reflections of the relative power of states and the degree of convergence of economic interests. Ideology and institutions did play a role but did not override the basic realities of national economic interest. As Moravcsik puts it, "Far from demonstrating the triumph of technocracy, the power of idealism, and the impotence or irrelevance of the modern nation-state, European integration exemplifies a distinctly modern form of power politics."

At the core of Moravcsik's vision of European integration lies a rejection of widely praised institutions, favorite actors, and frequently heard interpretations. He dismisses the actors first, refusing to give credit to the famous men of Brussels—

[1] The subject of Moravcsik's book, the European Community, has been referred to as the European Union since the ratification of the 1992 Maastricht Treaty.

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Monnet, Paul-Henri Spaak, and Delors (whose report was supposedly so influential on monetary union). Instead, he places the EC's Council of Ministers and its supposedly uninteresting team of national civil servants in the driver's seat; this intergovernmental decision-making body let the EC pool sovereignty through qualified majority voting. The EC's creation was therefore not an exceptional piece of handicraft undertaken in response to new problems but a flexible operation of national interest that states regularly performed to keep up with their competition. The states that won out were economically the strongest and socially the most resolute. At the same time, they remembered that their competitors were also economic partners and therefore offered to make themselves desirable as trading allies. For example, Konrad Adenauer's Germany presented a large import market for France's agricultural goods after World War II; this factor, not the high Cold War politics of the Berlin crisis, made the EC possible. Later in the book, Moravcsik offers a similar interpretation of monetary union: unromantic and statish. The European nation-state, he leads us to conclude, will survive as long as it concentrates on its economic well-being as successfully as it did in the four decades leading up to Maastricht.

From the first decades of European integration, Moravcsik sees nothing really exceptional about the EC. The main forces guiding events were the same social-scientific principles that mold most state behavior. Strength, stability, the ability to attract allies, and good tactics give a state victory. The apparent exoticism of integration turns out to be banal in Moravcsik's account, which portrays Europe's historic pooling of sovereignty as simply a way of locking in a good future bargain. True, national policy was sometimes driven by geopolitical considerations, as Britain's postwar attempt to maintain its world influence showed. But political economy counted for even more, which is not surprising since the voter likes to eat. Moravcsik goes further, however, to argue that political economy—namely, the appeasing of commercial interest groups, from farmers to industrialists—counted even more than abstract economic principles; free trade tends to produce more food than any agricultural policy but brings with it many angry farmers. Free trade also contains a certain risk that the state often finds difficult to cope with.

On the French side, writes Moravcsik, the need to find a trustworthy partner for the growing agricultural surplus was the paramount consideration from the start. De Gaulle's overriding concern was to fix a price level and ally with a group of countries eager to buy meat and milk. French *grandeur*, the Madonna of the Frescos, the defeat at Sedan, and the victory at Bir-Hakeim were nothing by contrast. Moravcsik is determined to use this pragmatic portrayal of de Gaulle throughout the statesman's career, and, to his credit, he correctly sticks close to his sources throughout this book. Some readers might object that official French documents would inevitably contain more about the price of milk than national identity. To hear about "a certain idea of France," they might argue, one must look to the more personal pages of de Gaulle's *Mémoires de guerre* or André Malraux's romantic portrait of the general, *Les chênes qu'on abat*. Moravcsik opts for a better solution and tries to reconcile the

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The beginning of a beautiful friendship: Mitterrand and Kohl, Verdun, France, 1984

romantic nationalism of de Gaulle with his pragmatism. The general's nationalist legacy partly resulted from the myth-making of his admirers, but as the French leader himself knew, and as Moravcsik correctly points out, economic problems were never far from his attention. For de Gaulle, the idea of the nation was precisely what gave form and structure to what would otherwise be a collection of tribes. Only a Europe of the fatherlands could stand up to the United States. Similarly, only a French diplomat steeped in the history of the French peasantry could negotiate competently over agricultural policy with a British diplomat well informed about the benefits of British agricultural liberalization in the nineteenth century. Knowledge of history leads people to drive hard bargains in the present; that was certainly history's effect on de Gaulle.

By contrast, Moravcsik is too kind to British Prime Minister Harold Macmillan and does not fully explain his antifederalist stance. He notes that when Macmillan was taking a hard line against the EC in the 1950s, British trade had still not shifted decisively away from the Commonwealth. Not yet, but Britain was just encountering its first real postwar challenges: the overlapping crises of the Suez Canal, a spate

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of protest fiction like *The Loneliness of the Long Distance Runner,* and the resignation of three government ministers over a very soft budget. For Macmillan, more than economics was at stake; there was the sovereignty of the Westminster Parliament. Even as British trade began to shift more toward Europe, Macmillan remained wary of embracing Brussels. On the horizon was the 1962 Anglo-American Nassau agreement, in which Macmillan agreed to deploy American Polaris missiles and helped repatch the special relationship with the United States, which was always driven more by sentimental geopolitics than clear-sighted economics. Indeed, this partnership has proven devastatingly durable and continues to confound Tony Blair's current dealings with the EU.

LIVING IN A MATERIAL WORLD

For Moravcsik, defense issues barely count in European integration. (He is too scrupulous to say they do not count at all.) The long, slow movement toward monetary union starting in the 1970s was governed not by a French drive to contain German monetary hegemony but by the German determination to avoid an inflationary rise in the deutsche mark and by the desire of other countries to control their economies. Going over François Mitterrand's critical 1983 decision to adopt austerity and force the franc back into the European Monetary System (EMS), the euro's precursor, Moravcsik dismisses the idea that the French president wanted to play a geopolitical role as a great European leader. Rather, his aim was to reduce the trade deficit and the outward flow of capital. To achieve this, he was even prepared to tolerate the unwelcome authority of the German Bundesbank to ensure monetary discipline.

Here, as elsewhere, one feels that Moravcsik occasionally forgets that real politics is less orderly than the events he describes—a great soupy mess rather than a joint of meat already carved into neat steaks. For example, Moravcsik emphasizes how French Industry Minister Jean-Pierre Chevènement, one of the so-called "Albanians" (a group of French officials that favored autarky, reflation, and independence from the EC), sought above all to limit domestic hardship and hence supported leaving the EMS in 1983. Yet he knew that France's economy was linked with the relationships that the Socialist Party had with the communists and with its own base. At a party congress following the EMS decision, Chevènement made a less aggressive speech than he might have, even though he had already resigned from the government. He saw that the political alliances that would have made it possible to leave the EMS were crumbling. The Socialists were admitting to being what they had always been: a mildly left-of-center party. A year later, Chevènement returned to government as a conservative minister of education.

Moravcsik applies his cold logic to Mitterrand, arguing that he opted for the EMS in 1983 only because the "Albanian" alternative, which would have entailed a risky devaluation and an interest-rate hike, would bear a higher medium-run cost than staying in and imposing monetary and fiscal *rigueur*. But does it make any sense to say that Mitterrand chose to stay in the EMS for reasons of macroeconomics, a discipline of which he was blissfully ignorant? Mitterrand's long political career showed only two consistent traits:

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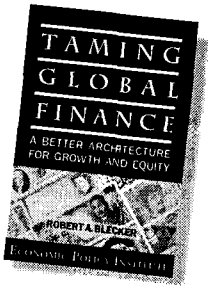

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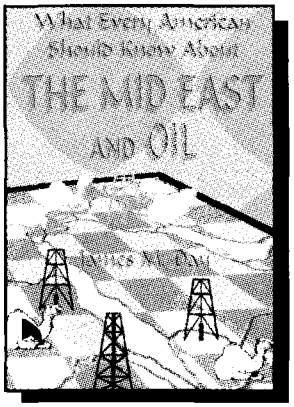

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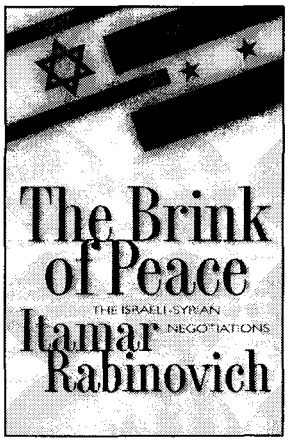

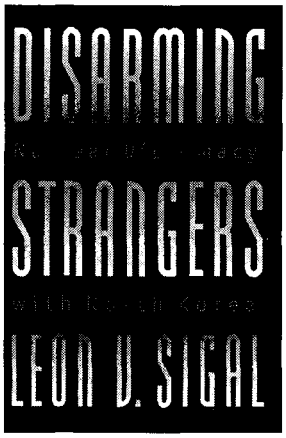

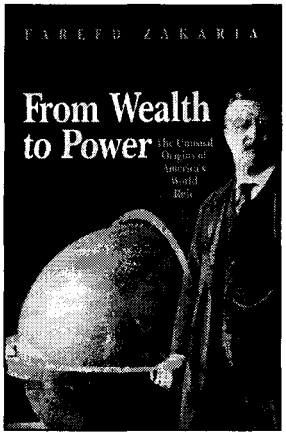

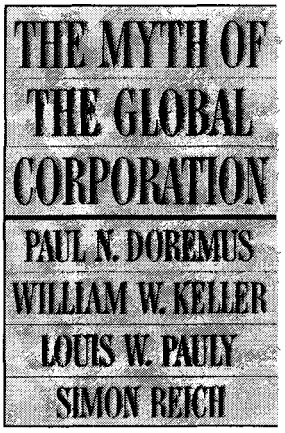

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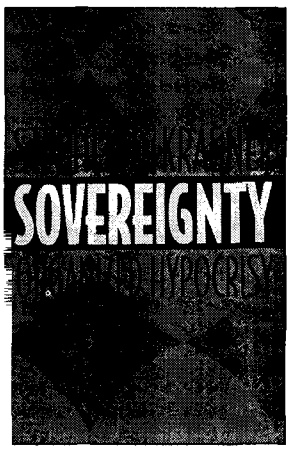

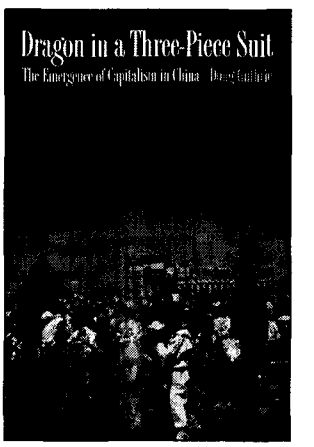

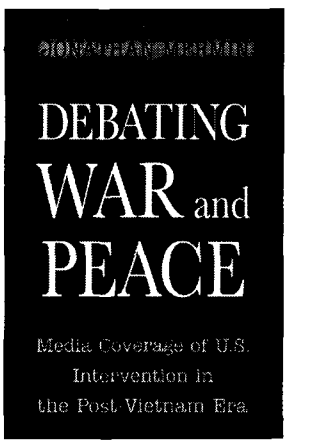

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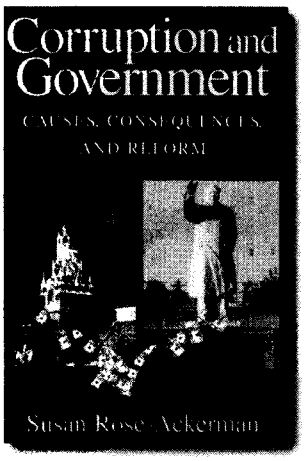

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the belief that economics must not be allowed to dominate politics, and the firm conviction that a political role, whether in defense, civil rights, or anything else, could and must be found for François Mitterrand. Never was the notion of politics as a soupy mess truer than in the EMS decision. Mitterrand consulted formally and informally; sometimes the people with whom he spoke had no governmental position, like the industrialist Jean Riboud. Influenced by their advice, Mitterrand decided that the Albanians were politically weaker than the Europeanists. Never a man to leave himself with only one policy option, he was already prepared to embrace the EMS, having been a Europeanist in his youth. Now he replaced socialism with Europe as the slogan of his presidency—but on narrow, domestic political grounds.

The EMS is generally considered the forerunner of the euro. In fact, the origins of the single currency stem from the 1973 breakup of the Bretton Woods system—the inevitable result of the United States' determination to finance the war in Vietnam without giving up President Johnson's Great Society programs. This put pressure on the U.S. dollar, which de Gaulle exacerbated further by having dollars sold to boost the franc. In turn, the Bundesbank alleviated the strain by buying and holding a huge volume of U.S. government bonds. In one sense de Gaulle and the Bundesbank were acting together to draw attention to American weakness and the fragility of a world monetary order based on the dollar—to indicate that Europe should pay for its own defense. And they succeeded. In the end, President Nixon was forced to dismantle the Bretton Woods system.

From there to the creation of a new order at Maastricht was a long step, and Moravcsik's hyperrational interest-based framework does not allow us to take it. (I would argue that growing distrust of the dollar was one motor behind the euro's launch; in some distant future we will see the mother of all currency battles between the two.) For Moravcsik, the EC's deepening in the 1970s was primarily motivated by the European fear that currency instability would undermine the Common Agricultural Policy, which consumed more than half of the EC budget and required steady exchange rates to facilitate year-round trade and the distribution of Brussels' subsidies. After this problem was first fudged with superficial, exotic-sounding devices like Monetary Compensation Accounts and the green pound, Europeans tried primitive forms of monetary union like the "Snake" in the early and mid-1970s, when each currency floated—often briefly—in a band against the others and all floated together against the dollar. But it still proved difficult to manage, especially since the United States let the dollar float freely and the burden of currency adjustment generally fell on the weak-currency countries. From these mostly unsuccessful experiences, the Europeans learned that you cannot link your currency with that of another country following a very different macroeconomic policy.

It was this lesson, argues Moravcsik, that provoked German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing to launch the EMS in 1979. Primarily concerned with the German domestic economy but also irritated by President Carter's manipulation of the dollar to obtain a low energy bill, Schmidt

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had two overriding aims. First, he wanted to prevent an excessive rise of the deutsche mark, which the dollar pushed up during its own periodic bouts of weakness, to keep German exports relatively cheap. Second, he sought to block the decline of the other European member currencies by fixing their value against the mark, thereby stabilizing Germany's important intra-EC trade. For their part, the French sought by the 1980s a European monetary union that combined German anti-inflation discipline with a strong franc and a greater French role in policymaking—provided that it did not subordinate Paris to the Bundesbank's inflation phobia. That prompted the Delors commission to begin work on economic and monetary union (EMU) in 1988 and complete its report in 1989—before the Berlin Wall fell, Moravcsik notes. In the end, the German thesis of low inflation dominated the text, while the French theme of pursuing growth whenever possible was the counterpoint to austerity.

THE HOUR OF EUROPE

Many observers argue that monetary union was the price that Helmut Kohl paid to the French for German unification and the independent way he handled it. Not Moravcsik, who explains EMU as the inevitable outcome of the developments of the 1970s and 1980s mentioned above: negotiations over what became the Maastricht Treaty were already underway before the unification debate, and the issues belonged to the realms of political economy, not geopolitics.

On this score Moravcsik is original but not quite convincing. Adenauer's legacy for Kohl was that a German state could exist only within a friendly Europe. Therefore a gesture had to be made to the European leaders who were feeling anything but friendly after Kohl denied them a say in the unification process. Then too, at least some of Kohl's advisers, even top executives at Deutsche Bank (eager to believe that money is not everything!), felt that if Germany went off on its own, the violent, self-destructive elements in the national character would win out. Such historical and cultural traits do not explain the Maastricht decision, but they do help shape the context in which it was made. Moravcsik does not give weight to the plurality of causes that lie behind a decision of this kind, and particularly to attitudes that emerge from the past.

Moravcsik leaves the aftermath of the Maastricht Treaty for other scholars to dissect, but it is important to ask whether his framework would apply to the turbulent developments of the 1990s. Did rational economic considerations continue to drive policy, or were messier political factors at work? In the 1990s, the latter seemed to take over. For example, Kohl's irresponsible decision to borrow for unification rather than to pay for it with taxes drove the nothing-if-not-consistent Bundesbank to push up interest rates. This decision sparked currency turmoil that drove the Italian lira and the British pound out of the EMS. The europhile Italians finally reacted with a fierce campaign from 1996 to 1998, led by Prime Minister Romano Prodi, to fight their way back into the founding group of monetary union—but at the cost of reducing their once-robust growth rate to 1.3 percent in 1998. As for Britain, Blair still cannot enter monetary union—despite his strong Europeanist leanings and the pro-euro sentiment among British export industries—until he

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wins back euroskeptic voters outraged by the monetary turmoil of 1992.

Moravcsik's analysis is relentlessly logical throughout the book, and he does not shrink from controversy. For this he deserves praise. His account is original, with only a few shortcomings. But by highlighting economics rather than security, Moravcsik does not explain why Europeans have been unable to forge a coherent foreign and defense policy. (Perhaps this should be the subject of his next book.) One could return to the failed EDC, which was followed by the failed Fouchet Plan. But the real reason was America's willingness to protect the Europeans with NATO, which in turn allowed the Americans to dominate the Europeans with NATO and the Europeans to concentrate on accumulating wealth.

It is unclear whether the United States is willing or able to continue this effort, but in any case the EU is facing a host of political problems. If Moravcsik is right, and if his criterion of a super-state capable of rapid, efficient decision-making holds, the EU is most unlikely to perform well. But the EU is really a union of nation-states that bargain, conflict, and cooperate. Judged from this point of view, it has had its share of political successes. The most important is the Franco-German relationship, now strengthened after Kohl's difficulties with unification removed the French fear of a potential Germany too powerful to need France. (Germany's new Social Democratic government has also been helpful on this point.) Today, the French and the Germans take conflict for granted; witness their very different attitudes in the early 1990s toward eastward EU expansion, which they did not allow to create a permanent rift. The result is a political alliance that is greater than the sum of its parts, capable of surviving clashes over interest rates or lamb subsidies.

Protagonists see such disputes as manageable conflicts that cannot be allowed to jeopardize an even more fundamental friendship. Working together in Europe can build trust. The Northern Irish cannot agree on how they should be governed but Tony Blair and Irish Prime Minister Bertie Ahern have a joint plan, something unimaginable 25 years ago. Moravcsik, who concentrates on the EC's great crises, neglects this humdrum, daily experience that turns into habit, history, and culture—which is hard to analyze or summarize. This reality does not contradict but softens the economic bargaining of the treaties from Rome to Maastricht. In Italy, successive governments have found a use for this "Europeanness." They ask the voters to make sacrifices in its name that they would not dream of making in the name of Italy. The Italians usually oblige, which cannot be explained in the 514 intelligent pages of Moravcsik's book.

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Response

Missing the Mark

The Truth About Inflation Targeting

Ben S. Bernanke, Thomas Laubach, Frederic S. Mishkin, and Adam S. Posen

James K. Galbraith takes our book, *Inflation Targeting: Lessons from the International Experience*, as the jumping-off point for a screed against obsession with price stability ("The Inflation Obsession: Flying in the Face of the Facts," January/February 1999). He does *Foreign Affairs* readers a disservice by misrepresenting our argument and, as a result, leaves them uninformed about perhaps the most important current debate on the conduct of monetary policy.

DEMOLISHING A STRAW MAN

Inflation targeting—and our "manifesto" in favor of it (to use Galbraith's characterization)—is not so much about the objectives of monetary policy as about its implementation, particularly the way in which monetary decisions are made and explained. Neither the inflation-targeting regimes adopted by countries such as Australia, Canada, Israel, New Zealand, Spain, Sweden, and the United Kingdom nor the arguments advanced in our book commit inflation targeters to a destructive, single-minded focus on inflation in the short term. To the contrary, the features that accompany such systems—namely, the added transparency and accountability of central banks that have publicly announced inflation targets—are the best guarantees against policy mistakes. This is why the European Central Bank and the Federal Reserve Board should adopt these measures.

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Galbraith is too concerned with demolishing a straw man to pay much attention to what our book actually says. He asserts, for example, that "the authors of *Inflation Targeting* do not discuss the Humphrey-Hawkins Act," the U.S. legislation most closely addressing the Fed's mandate and accountability. If Galbraith had glanced at our index, he would have seen that we actually have a three-page discussion of Humphrey-Hawkins in the context of our recommendations for enhancing the transparency of the Fed's operations. A little later, he dismisses our argument that inflation-targeting countries have enjoyed improved economic performance: "A fair evaluation of this claim would require a comparative perspective, which the authors do not provide." Yet our book contains 9 country studies spread over 163 pages, plus a chapter comparing the economic performance of 4 inflation-targeting countries to that of 4 nontargeting countries. What does this provide if not "a comparative perspective," and a fair one at that?

IT'S IN THERE

Galbraith contends that our argument "rests on a theory that links monetary policy exclusively to inflation control and denies central banks any important role in determining economic growth and unemployment." He further implies that if the Fed had followed our advice in its policymaking during the 1990s, it would have raised interest rates unnecessarily because it paid exclusive attention to the "natural rate of unemployment" while ignoring the leading economic indicators. Regarding the first claim, we state quite explicitly in *Inflation Targeting* that "the idea that monetary policy literally has no goals other than to control inflation would find little support from the public, from central bankers, or from monetary economists," and it finds none from us either, as our argument makes clear. With respect to the allegation that we favor a blinkered Fed, in our book we note that "inflation targeting requires the central bank to use structural and judgmental models of the economy, in conjunction with whatever information it deems relevant. In other words, inflation targeting is very much a 'look at everything' strategy."

On the fundamental issue of monetary policy goals, Galbraith ignores what we wrote in favor of attempted mind-reading, commenting, "One suspects instead that what they really want is to abandon full employment as a formal objective of American monetary policy." If we really wanted that, we would have written that—but we don't want it so we didn't. In our discussion of Humphrey-Hawkins—the one that Galbraith claims does not exist—we explicitly describe the implications of the Fed's adopting our inflation-targeting proposal: "The Humphrey-Hawkins legislation now in effect appears to be sufficiently broad and non-specific to make new legislation unnecessary to implement the framework we have proposed here. Nevertheless, it would be desirable to modify the [law so that it] specifies that price stability is the overriding long-run objective of monetary policy, but also mandates attention to other important economic goals." And as we conclude approvingly from our research on various countries' experiences with inflation targeting, "the notion that monetary policy-makers under inflation targeting are indifferent to the performance of the real economy is simply incorrect. The capacity to deviate from the target if

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necessary allows the central bank a significant degree of flexibility in trying to stabilize the economy in the short run."

TARGET PRACTICE

The reality about inflation targeting matters for much more than fairness to our work. The biggest current issues in monetary policy are, in the short run, avoiding deflation in Japan and the new European Central Bank's eurozone, and in the long run, setting the direction for American monetary policy in preparation for Alan Greenspan's inevitable departure as chair of the Fed. Inflation targeting of the type that we advocate is both the most economically beneficial and the most democratically accountable response to both of these challenges.

In a general sense, a short-run inflation target sets a floor above zero, as well as a ceiling, for the rate of price increase for consumer goods. Adherence to the target means that the central bank must loosen monetary policy when the rate of price increase threatens to be too low, just as it must tighten policy when forecasted inflation is too high. Fighting deflationary tendencies becomes easier when inflation targets are publicly announced, for two reasons. First, the target may help to anchor the public's expectations of inflation, preventing an upward inflationary spiral when the central bank pursues expansionary policies to resist deflation. Second, the transparency and accountability of the policy process in inflation-targeting regimes implies that the central bank will be called to account should its policies prove excessively deflationary. The need to insure against deflation is why we strongly advocate greater-than-zero inflation targets in our book, and we state repeatedly that undershooting the inflation target must be opposed every bit as strenuously as overshooting it.

BANKS IN GLASS HOUSES . . .

The greater transparency of policymaking under inflation targeting is also why we recommend this approach for a post-Greenspan Fed. The Fed has performed well during the 1990s, using policies that in many ways—particularly in their emphasis on keeping inflation low in the long run—are similar to our proposals. The main difference between current Fed policy and a full-blown inflation-targeting approach is the Fed's relative lack of emphasis on transparency and accountability. The "just trust us" approach may work in a period when the chair and the Board of Governors command widespread support and confidence. But the happy state of affairs will not last forever. It is more sensible, and more democratic, to begin to act now to depersonalize monetary policymaking by increasing Fed transparency and accountability. For example, as was demonstrated by our case studies of the British and Canadian experiences, a formal inflation target would be constructive in channeling debates about monetary policy (in Congress and elsewhere) away from ideological generalities and toward specific issues, such as the appropriateness of the Fed's long-run inflation goal and the Fed's record in achieving its targets. An inflation target would also reduce uncertainty in financial markets about the Fed's prospective policies, since its targets and forecasts would be public information.

The importance of monetary policy arises from its effects on real economic growth. Price stability is not an independent

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objective but a means to an end. Central banks face the difficult practical problem of keeping inflation and expectations low in the long run (in order to promote growth), while permitting the short-run deviations from price stability that are necessary to keep the macroeconomy on course in the face of unpredictable economic and financial shocks. Our research convinces us that inflation targeting—because it balances transparency and flexibility—is the best available framework for managing that difficult task. Our book justifies that view through historical analysis and shows how inflation targeting has been, and should be, implemented in practice.

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Recent Books on International Relations

Political and Legal

G. JOHN IKENBERRY

The Great Disruption: Human Nature and the Reconstitution of the Social Order. BY FRANCIS FUKUYAMA. New York: The Free Press, 1999, 336 pp. $26.00.

Fukuyama is famous for his contention that capitalist democracy has triumphed in the historical clash of ideas. In this ambitious new book, he argues that liberal democracy's social and moral foundations are now under assault from industrialism and technological change. Western democracies are buffeted by this "great disruption" as the information age and birth control bring more women into the work force, undermine family structures, and loosen social cohesion. Rising rates of crime, divorce, and illegitimacy are all part of this larger process of social breakdown as capitalism frays the social fabric and depletes a country's social capital. But Fukuyama remains optimistic. In the long run, he believes, Western countries will discover new sources of social cohesion, perhaps through religious or civic renewal. Nevertheless, the links between the changing role of women, the breakdown of the family, and the rise of crime and social disorder are more ambiguous than the book admits. The civil rights and feminist movements may have eroded traditional sources of social stability, but they also have infused liberal democracy with a new sense of legitimacy. Still, the book is valuable for its learned and lucid account of the ebb and flow of social order—and it will surely spark more debate.

Rise of the Virtual State: Wealth and Power in the Coming Century. BY RICHARD ROSECRANCE. New York: Basic Books, 1999, 256 pp. $27.50.

The best book yet on how modern capitalism is transforming international relations. A decade ago, Rosecrance argued that Germany and Japan—trading states that acquired wealth and influence by mastering world markets—were the model of the future. Now Singapore and Hong Kong have taken over as prime examples of "virtual states" that manage the movement of capital and foreign investment. Today, territory and traditional geopolitical competition are even less essential to accruing wealth and power. The world is increasingly divided into interconnected countries with corresponding interests, dispositions, and rewards. But Rosecrance's progressive vision, which sees prosperity rising and warfare declining, invites questioning. Is it possible that the

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great driving forces of history—politics, ideology, religion, inequality, and nationalism—can be rendered impotent by capital movements and global firms? What happens if the world economy contracts or the financial system crashes? Even in a world of virtual states, there are winners and losers.

Ballots and Bullets: The Elusive Democratic Peace. BY JOANNE GOWA. Princeton: Princeton University Press, 1999, 144 pp. $27.50.

The democratic-peace argument, which holds that democracies tend not to fight each other, is one of the few lawlike generalizations in international relations. It has also inspired the Clinton administration's strategy of expanding the zone of democracy. Now Gowa has come out with the most important and sustained critique of this premise. Using sophisticated statistical techniques, she argues that aside from the Cold War era democracies were in fact no less likely to fight with each other than with nondemocracies; conventional realist arguments best explain the incidence of war between states, and power determines the state interests that drive foreign policy. To Gowa, the democratic-peace phenomenon is really a side effect of the Cold War system, not an inherent trait of state behavior. States that do ally with each other are driven by common security fears; they may be less inclined to fight each other, but primarily for balance-of-power reasons. This book will spark valuable discussion as the post–Cold War world tests both the democratic-peace argument and Gowa's alternative.

Power Ties: Economic Interdependence, Balancing, and War. BY PAUL A. PAPAYOANOU. Ann Arbor: University of Michigan Press, 1999, 315 pp. $44.50.

Balance-of-power theory has endured in the study of international relations because it can explain a great deal. When newly powerful states emerge on the world scene, other states sense threats and form counterbalancing alliances. But the empirical record has varied widely. Britain and France responded weakly to Germany's rise before the two world wars, whereas the Western democracies united effectively to balance against the Soviet Union after 1947. To explain these variations, Papayoanou investigates the economic relations between major powers. Status quo states are most likely to cooperate and balance against a rising power if they have strong economic ties with each other but not with the adversary. When economic ties with the adversary are extensive, however, a balancing strategy is difficult to sustain. There are few surprises here, but the book nicely attempts to integrate economic variables into grand strategy. Papayoanou also warns that dangerous security consequences arise if a country forges deep economic ties with potential adversaries, but he fails to examine the possibility that those ties might actually transform the rival state.

Global Justice. EDITED BY IAN SHAPIRO AND LEA BRILMAYER. New York: New York University Press, 1999, 224 pp. $50.00.

Economic globalization has ignited debates over global justice as rising inequality challenges moral philosophers to expand their scope beyond domestic affairs. In this volume, scholars explore the possible terms of "cosmopolitan justice." Columbia's Brian Barry addresses an underlying

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question: If justice demands the well-being of individuals, why should income redistribution (e.g., through government or social obligations) confine itself to a country's borders? The essays provide a lively exchange about when norms of justice should apply only to family, community, and nation, and when they should extend to the entire international system. But there is little consensus among the authors—except the common notion that local or national commitments need not undermine claims of global justice. Alas, the authors fail to discuss what competing moral claims mean in practical terms, or how to reconcile the claims of justice with the realities of an anarchic world order.

A Public Peace Process: Sustained Dialogue to Transform Racial and Ethnic Conflicts. BY HAROLD H. SAUNDERS. New York: St. Martin's, 1999, 368 pp. $45.00.

A thoughtful treatise on the art of peacemaking that underscores the significance of nongovernmental contacts and citizen dialogue. A former American diplomat active in the Arab-Israeli peace process, Saunders explores the communication between societies and the potential impact of the human dimension on tackling ethnic and religious clashes. The result is a sort of how-to book on conflict resolution for divided societies, from rival nationalist factions in Tajikistan to racial divisions in Louisiana. The author attaches importance to broad-based, open-ended dialogues that feed back into civil society and eventually into diplomatic negotiations, but he cautiously concedes that he cannot fully measure the impact of dialogue on deep-rooted antagonisms. The world-weary will therefore remain skeptical. Other readers will be left wanting to know more about the range of conflicts and the circumstances that promote citizen dialogue.

Unvanquished: A U.S.-U.N. Saga. BY BOUTROS BOUTROS-GHALI. New York: Random House, 1999, 384 pp. $29.95.

The head of the United Nations has one of the hardest jobs in the world—as the last holder of that office, Boutros-Ghali, reminds the reader repeatedly throughout this extended apologia. In a grumbling voice, he details his five-year battle with Washington, a battle that ended with a U.S. veto of his reelection bid, making him the only secretary-general ever denied a second term. Boutros-Ghali complains that his job was impossible: member states made infinite, conflicting demands without ever giving him the mandate, troops, or money to accomplish them. The United States emerges as an implacable foe, variously "bizarre," "two-faced," "arrogant," and "sinister" (and too cheap to pay its bills). Former U.S. Ambassador Madeleine Albright gets special criticism for her clumsy mendacity, as does the American media, which dutifully reprinted the State Department's lies. World history—the wars in Yugoslavia, Iraq, even Rwanda—is relegated to the back burner as Boutros-Ghali describes America's efforts to destroy him, efforts motivated more by domestic politics and paranoid black-helicopter conspiracy theories than by Boutros-Ghali's failings. The United States probably deserves most of his criticisms, but one wonders how such a grizzled statesman could have been surprised by the rough-and-tumble deceptions of diplomacy.

JONATHAN D. TEPPERMAN

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Economic, Social, and Environmental

RICHARD N. COOPER

The New Global Economy and Developing Countries: Making Openness Work. BY DANI RODRIK. Washington: Overseas Development Council, 1999, 100 pp. $13.95 (paper).

Newton's law of physical action and reaction was transmuted by Hegel and Marx into a law governing philosophical and social movements. Rodrik offers a carefully reasoned and empirically supported counterreaction to the "Washington consensus" on the free-market policies that developing countries should adopt in order to grow. He does not disagree strongly with the consensus but rejects its "one size fits all" approach. Certain political components, he argues, are at least as important as economic ones; effective democratic institutions, an independent judiciary, an honest bureaucracy, and institutionalized social insurance are all critical in ensuring a smooth adjustment to the inevitable external shocks that come with opening markets. Rodrik also places greater emphasis on investment-enhancing policies and less on export promotion. Good government plays a central role in putting a country on the right path. There is much food for thought here, but not for the numerically faint-hearted. Rodrik relies heavily on econometric analysis to support his findings but nevertheless explains the results well for those willing to accept his analysis.

Money, Greed, and Risk: Why Financial Crashes and Crises Happen. BY CHARLES R. MORRIS. New York: Times Books, 1999, 224 pp. $25.00.

An informative and entertaining financial history of the United States, with its full share of crony capitalism and shenanigans. This book places the recent financial crises—in southeast Asia, Russia, and at Long-Term Capital Management—in perspective, reminding American readers that they have no grounds to be smug. On the contrary, history suggests that Americans have often been slow learners. Financial crises erupted virtually every decade from the 1830s on, but it took a Great Depression for the United States to put in place the rules, regulations, disclosure requirements, and bank supervision that have served the economy so well since. Yet even those reforms did not prevent the savings-and-loan crisis, when politically favored institutions were given new freedoms without adequate supervision—which invited risky use of insured deposits. The book also recounts the American fleecing of British investors in the late nineteenth century and neatly summarizes the recent financial crises. Morris is stronger on the view from the market than on the macroeconomics underlying the crises. But he provides useful explanations of the varied new financial instruments, so the reader comes away from the book better informed as well as entertained.

New World, New Rules: The Changing Role of the American Corporation. BY MARINA V.N. WHITMAN. Cambridge: Harvard Business School Press, 1999, 256 pp. $29.95.

An academic turned corporate executive,

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Whitman reflects on the changes in American business since her entry into the corporate world in the 1970s. The most important trend, she argues, is that the rents that oligopolistic firms once earned and distributed to their employees and communities have been squeezed by global competition and heightened shareholder demands. Paradoxically—or perhaps consequently—firms have also experienced increased public pressure for greater corporate responsibility, especially in matters of workplace safety and the environment. The book contains excellent chapters on the increasingly demanding role of corporate directors and on the foreign investment that allows the parent company to continue its corporate control from abroad. Whitman sees no turning back from these developments and offers suggestions to improve the U.S. economy's ability to handle the more competitive global environment—above all, by improving health care and pension portability as workers change jobs. A well-written, comprehensive, and thoughtful book.

Foreign Direct Investment and Development: The New Policy Agenda for Developing Countries and Economies in Transition. BY THEODORE H. MORAN. Washington: Institute for International Economics, 1998, 191 pp. $20.00 (paper).

A careful and nonideological examination of foreign direct investment's role in developing economies and those making the transition from communism to market reforms. As Moran observes, these economies have increasingly sought FDI not only by liberalizing investment restrictions but by offering tax and cash enticements. In their misguided attempts to assure technology transfer, however, these measures often require joint ventures, licensing requirements, or minimum local content and export requirements. For their part, rich countries discourage FDI through their own stiff rules of origin in trade agreements and grossly unfair antidumping practices. Moran convincingly argues that FDI can and usually does make important economic contributions to developing countries but notes that it can also leave the host country worse off—especially if its domestic economy discourages competition. Despite the recent failure of the Multilateral Agreement on Investment, he believes that a multilateral pact on FDI would be useful and boldly suggests that developing countries take the diplomatic initiative to reduce the distortions in FDI flows that hurt all countries. Unfortunately, Moran probably underestimates the power of the myths and superstitions that still surround FDI in home and host countries alike.

Sony: The Private Life. BY JOHN NATHAN. New York: Houghton Mifflin, 1999, 333 pp. $25.00.

An independent biography of the best-known corporation in the world, based on 115 interviews with all the living key players and much of the supporting cast. From its 1946 founding by Masaru Ibuka in the ruins of Tokyo to a company with global sales of $50 billion, Sony's rise is an engrossing tale. It was founded explicitly as a firm where dedicated engineers could realize their craft at the highest possible level, and it progressed from radio repairs through tape recorders and televisions to VCRs, compact disks, and camcorders. The book is a good read for those interested in the motivation, corporate vision, and decision-making processes of three key

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leaders of Sony—a corporation that is at core Japanese with a strong American component. American and Japanese personal and business cultures can often clash, but within Sony they created a productive tension. Nathan offers little quantitative analysis; there are no balance sheets, operating statements, or indeed any tables at all in the book. Such figures are mentioned only in passing, as a byproduct of human interactions.

Economic Puppetmasters: Lessons from the Halls of Power. BY LAWRENCE B. LINDSEY. Washington: American Enterprise Institute Press, 1999, 200 pp. $24.95.

Former Federal Reserve governor Lindsey takes the reader on a tour of macroeconomic policymaking in the United States, Japan, and Europe over the past few decades, with an interesting focus on four central individuals: America's Alan Greenspan, Japan's Vice Finance Minister Eisuke Sakikabara, Germany's Helmut Kohl, and international financier George Soros. The result is an engaging and well-assembled combination of personal comments, relevant history, and economic analysis tailored for the lay reader. Lindsey shows how historical circumstance and public memory influenced Kohl's policy objectives and Japan's extraordinary reliance on its professional bureaucracy for decision-making. Greenspan has proven to be a consummate contrarian who resists dominant market myopia and political pressure—while winning the support of the American public. The author predicts a growing economic dynamism in all three regions, but a waning capacity to manage serious crises looms as well. And crises are inevitable in a dynamic capitalist system that relies on the creative destruction wrought by continual innovation and vigorous competition.

Military, Scientific, and Technological

ELIOT A. COHEN

Preventive Defense: A New Security Strategy for America. BY ASHTON B. CARTER AND WILLIAM JAMES PERRY. Washington: Brookings Institution Press, 1999, 256 pp. $24.95.

An unsuccessful mixture of reminiscence and policy tract by two brainy civil-servant professors. Perry, the Clinton administration's most respected and well-liked secretary of defense, features prominently (almost exclusively) in a lengthy photographic collection whose connection to the book is tenuous. The reminiscences gloss over the more interesting episodes of Perry's tenure, such as the attacks on Iraq and Yugoslavia and the simmering tensions between a conservative military and a liberal president. The book's analytical section centers around Russia and arms control, while the core of the Pentagon's business—force structure, readiness, and contingency operations—is relegated to a thin chapter at the end. The prescriptions are sober, moderate, and dull, and the history occasionally odd (the West enabled the rise of Hitler because it "spurned" Weimar Germany?). The authors' emphasis on events is even odder—for example, the Yugoslavia chapter's single-minded focus on the successful deployment of Russian troops to Bosnia. The authors

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would have done better to stick to one genre or the other.

Strategic Appraisal: The Changing Role of Information in Warfare. EDITED BY ZALMAY KHALILZAD AND JOHN WHITE. Santa Monica: RAND, 1999, 500 pp. $25.00 (paper).

The editors shrewdly chose the title of this work to be information *in* warfare, not information warfare. This volume in RAND's annual Strategic Appraisal series is one of the better efforts. Some of the essays are forgettable, but others are well worth reading. Francis Fukuyama and Abram Shulsky, for example, offer a trenchant and skeptical analysis of the lessons the military can and should learn from business organizations wrestling with the information revolution. Some of the other pieces fall into predictable traps of mindless techno-enthusiasm (or paranoia) or attempt to impose irrelevant or superannuated intellectual constructs on the study of information, like Lynn Davis' piece on arms control. Taken together, the articles remind us—some by insight, others by their very lack of it—of just how hard it is to figure out what the information revolution does to international security.

Obeying Orders: Atrocity, Military Discipline and the Law of War. BY MARK J. OSIEL. New Brunswick: Transaction Publishers, 1999, 398 pp. $34.95.

A short review cannot really do justice to this careful blend of law, moral philosophy, and military history. Why do soldiers commit atrocities? How can they be prevented from doing so? The questions framing the book are at some level unanswerable, but Osiel's thoughtfulness in grappling with this issue is impressive. So too is his sympathetic effort to get inside the mindset of professional soldiers, which leads him to rely (despite his legal background) more on the cultivation of sound judgment than on rules, principles, and orders. An important addition to the bookshelf of works on the law of war.

The Decline of Males. BY LIONEL TIGER. New York: Golden Books, 1999, 256 pp. $23.00.

"Males remain the sex most likely to engage in genocide, rape, gang warfare, plunder, terrorism, prisoner abuse, and an extensive array of other violations of military and civil decency." Thus begins the latest book by this fearless anthropologist, who coined the term "male bonding" and is now deeply concerned about how contemporary societies address the biological consequences of our hunter-gatherer past. In brief, Tiger argues that men are programmed for behavior that modern society finds hard to take, and that the sexual revolution, contraception, changes in government, and the spread of single parenthood as a norm will all lead to large numbers of unsocialized males. It is a truism of the sociology of violence that more rootless young men mean more bloodshed in the forms of both crime and war; this troubling and important book helps explain why.

The First World War. BY JOHN KEEGAN. New York: Alfred A. Knopf, 1999, 512 pp. $35.00.

The product of a fine narrative historian at the top of his form, Keegan's history of the Great War does not reflect extensive research—the vast literature on World War I would make that a lifelong study—

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but highlights his admirable judgment and literary skill. Unlike many other historians, he knows how to get inside the skin of generals and, to a slightly lesser extent, politicians. Unavoidably, some subjects receive short shrift, and Keegan emphasizes the British war (and English sources) more than some experts might wish. But this is a very good book indeed, offering the best introduction in several decades to the conflict that molded this century's international relations. As handy a one-volume work as will be seen for some time.

Biohazard: The Chilling True Story of the Largest Covert Biological Weapons Program in the World—Told from the Inside by the Man Who Ran It. BY KEN ALIBEK AND STEPHEN HANDELMAN. New York: Random House, 1999, 336 pp. $24.95.

Biological Weapons: Limiting the Threat. EDITED BY JOSHUA LEDERBERG. Cambridge: MIT Press, 1999, 300 pp. $40.00 (paper, $20.00).

Anyone who can describe the Marburg virus—a hideous organism that liquefies body organs—as "promising material" clearly has an unusual job. And *Biohazard*, a chilling confessional memoir of a former senior scientist in the Soviet biological weapons program, shows just how unusual this job was. Alas, this book also has the usual irritating conventions of its genre, such as elaborately quoted conversations that occurred 15 years ago and a hairbreadth escape from the KGB, provided no doubt by Alibek's ghostwriter Handelman (the former Moscow correspondent of *The Toronto Star*) and Alibek's American handlers. Still, this fascinating and disturbing work shows how seriously the Soviets took biological warfare. Almost as alarming is Alibek's assertion that his American counterparts were far less interested in learning what their enemies had achieved than in how much of their stockpile they had destroyed.

Equally important, although far less dramatic, is *Biological Weapons.* A Nobel laureate in medicine and a former president of Rockefeller University, Lederberg has long warned those who would listen of the threat posed by biological weapons. These dense, scholarly essays make compelling reading. They include broad policy analysis by the secretary of the navy, Richard Danzig, who has focused government attention on this subject, as well as historical and legal accounts and case studies on the acquisition and detection of the use of biological agents. The editor concludes by reproducing his remarkably prescient 1970 speech to the U.N. Committee on Disarmament, whose warnings have been only partially heeded.

www.fas.org. THE FEDERATION OF AMERICAN SCIENTISTS.

Once a staid, left-of-center organization of anxious veterans of the American nuclear program, the Federation of Atomic Scientists has become the Federation of American Scientists. Their web site is now one of the best around for students of military affairs. The Military Analysis Network portion of the site is particularly rich, including not only the best collections of material on recent operations in the Persian Gulf and Kosovo but a wealth of material on everything from weapons to rank insignia. Of particular use is the site's meticulously thorough listing of major military operations in American history, along with good, if erratic, links. To take one example, clicking on "Just

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Cause" yields an excellent two-page summary of the 1989 U.S. intervention in Panama, offering links to official U.S. Army studies. Idiosyncratic but valuable, this is an exceptional resource for students of military affairs.

The United States

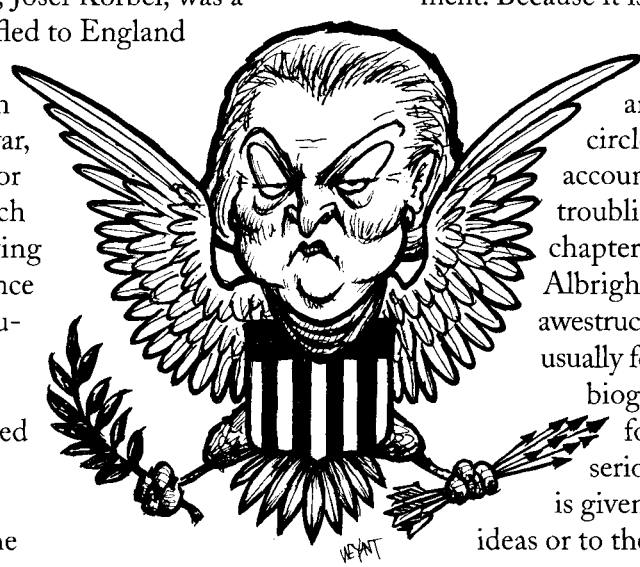
PHILIP ZELIKOW

Madeleine Albright: A Twentieth-Century Odyssey. BY MICHAEL DOBBS. New York: Henry Holt, 1999, 466 pp. $27.50.

Seasons of Her Life: A Biography of Madeleine Korbel Albright. BY ANN BLACKMAN. New York: Scribner, 1998, 398 pp. $27.00.

Few secretaries of state get even one biography while still in office, so Albright has achieved rare celebrity with these two volumes. She is, of course, the first woman to hold the office. She has also honed a talent for fierce, pithy sound bites. Finally, her background is a good story. Her father, Josef Korbel, was a Czech Jew who fled to England and converted to Catholicism in 1941. After the war, Korbel worked for the postwar Czech government, trying to stay on the fence while the communists took power until he resolved his doubts and fled to the United States for good. (Dobbs broke the story of Albright's Jewish past for *The Washington Post* and argues convincingly that Albright was not entirely honest when pressed about what she knew about this.) Then there is Aibright's own personal story of marrying into a wealthy family, studying while raising a family, and working through the pain when her husband left her. Although she published no important writings, she became a fine teacher at Georgetown and flourished as a Democratic political adviser.

Yet if measured by formal credentials and experience, Albright was the least-qualified person to become secretary of state this century (except perhaps for Philander Knox, in the Taft administration). Thus a central question for these two books is to explain her ascension—and both authors suggest that her gender was a vital advantage. So were the years of political networking as a Democratic policy adviser. But such skills are bound to be elusive to an outsider, especially if the key records are unavailable. Neither book carefully analyzes Albright's actions at the United Nations or the State Department. Because it is well informed by interviews with Albright and her inner circle, Blackman's account is all the more troubling in its last chapters, which handle Albright's record in the awestruck, credulous style usually found in celebrity biographies written for children. No serious consideration is given to Albright's ideas or to the quality of her



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thought. Such gushy trivialization is not patronizing. Worse, it is matronizing.

The Times of My Life and My Life with The Times. BY MAX FRANKEL. New York: Random House, 1999, 546 pp. $29.95.

Frankel's career at *The New York Times* began in his college days at Columbia and ended with his retirement nearly 50 years later as the paper's executive editor. After reporting from Moscow in the late 1950s, he became a potent name covering Washington. Starting with a fascinating account of his family's escape from Nazi Germany, the book is both a solid memoir and an insightful primer on the *Times*. The Pentagon Papers story is especially well told. Frankel is observant and quick, perhaps too quick, to judge people and policies. Despite his liberal views, Frankel never lost a healthy fear of being (in his words about another reporter) "one of those good people who cling to bad thoughts because good thinking had been preempted by bad people." Now disillusioned by Washington, Frankel expresses unease and sometimes bitterness about his calling and criticizes journalism's weak grasp of history. Among the rare reflections about the public figures he knew, Lyndon Johnson gets some consideration, but it is interesting that Frankel's most sympathetic portrait is that of Nikita Khrushchev, wishful dictator.

Making Peace. BY GEORGE J. MITCHELL. New York: Alfred A. Knopf, 1999, 193 pp. $24.00.

The two landmarks of the Northern Ireland peace process over the last decade are the Downing Street Declaration of 1993 and the Good Friday Agreement of 1998. Former Senator Mitchell led the panel of outside mediators that helped produce the Good Friday understanding and he has now written a memoir of his work from 1995 to 1998. Thankfully, it is too brief to convey a full sense of the exhausting but deadly important wrangling involved. Yet the reader needs only a little imagination to come away impressed with the patience, dedication, and courage displayed by Mitchell, his colleagues, and their staffs. From this concise, modest account, Mitchell complemented those qualities with measured judgment and ingenuity. Carefully composed at a time when the issues and people are still very much alive, this book is often eloquent in what it does not say. Among many key figures, Unionist politician David Trimble was apparently the truly indispensable man, exhibiting an array of skills that few other politicians would even understand. Among the author's gifts is that he does understand, perhaps even more now than he did before coming to Northern Ireland.

The Wilsonian Century: U.S. Foreign Policy Since 1900. BY FRANK NINKOVICH. Chicago: University of Chicago Press, 1999, 330 pp. $27.50.

Ninkovich's last book, *Modernity and Power,* reinterpreted Wilson's thought and traced the shadows it cast on his successors. Building on that work, Ninkovich has now composed this brief and accessible survey of modern American foreign policy. Of course there are quibbles with his approach. He has little space to integrate the policies and plans of other countries into his American story. On more contemporary policy subjects, he too often succumbs to a rehash of conventional journalistic wisdom. That said,

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Ninkovich has also developed a powerful central idea that holds the narrative together. Wilsonian thought sees the world as a battleground of ideas for organizing society and focuses on critical tests that demonstrate which ideas can and should prevail. It is a worldview centered not on crusades but on credibility. That brilliant insight serves Ninkovich well, illuminating the older diplomatic stories on which he has a good grasp of the historical evidence. The result is an excellent text and a worthy guide for anyone who wants to step back and reflect on the big picture.

Shadow: Five Presidents and the Legacy of Watergate. BY BOB WOODWARD. New York: Simon & Schuster, 1999, 592 pp. $27.50.

Woodward's book describes how every post-Watergate presidency has been shaped by new questions of scandal and by new styles of scandal inquiry. Such wide reflections have stimulated Woodward to produce his best work in recent years, one with much improved citation of sources, that should also interest readers of *Foreign Affairs*. First, *Shadow* illustrates how Ronald Reagan's emotional, willful commitment to certain foreign policies blinded him to domestic consequences that nearly destroyed his presidency in the Iran-contra affair—and it shows how Chief of Staff Howard Baker honorably led the rescue. Second, Woodward contends that in early January 1991, while diplomacy was still under way to prevent Desert Storm, George Bush nevertheless warned his advisers that "We have to have a war," an understanding that National Security Adviser Brent Scowcroft knew could not be made public. Third, Woodward offers evidence that health problems affected Bush's performance in his last year and possibly Reagan as well. Fourth, he argues that Clinton's recent foreign policies, including Kosovo and the Middle East peace talks at Wye, are worryingly influenced by Clinton's self-described "personal journey of atonement" from the Lewinsky scandal.

Clinton's World: Remaking American Foreign Policy. BY WILLIAM G. HYLAND. Westport: Praeger, 1999, 224 pp. $24.95.

If newspaper articles are the first draft of history, this book synthesizes them to provide the first draft history of Clinton's foreign policies. It usefully recalls and orders all those stories into a coherent narrative, composed with an informed eye. But the book rarely goes beyond its newspaper source material to offer more depth on the policy stories—even those like Somalia or Bosnia, where a significant amount of evidence is already available. The book also ends in 1998, before the recent wars against Iraq and Yugoslavia. In appraising Clinton, the overall tone of the book is captured well in a quote that Hyland provides from Owen Harries, a quote given *in defense* of the Clinton record: "Clinton's foreign policy is not an unmitigated disaster. It is not even a mitigated disaster. It is merely quite bad in certain ways that have limited consequences."

Western Europe

STANLEY HOFFMANN

Hitler's Vienna: A Dictator's Apprenticeship. BY BRIGITTE HAMANN. New York: Oxford University Press, 1999, 512 pp. $35.00.

Hamann combines a careful, well-

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documented account of Hitler's life as a young man in Vienna before World War I with a sociopolitical history of the Hapsburg capital during those years. She focuses on the myriad factors and people that influenced young Adolf: pan-German politicians and pamphleteers such as Georg Schönerer and Guido von List; anti-Semites like Karl Hermann Wolf and Viennese Mayor Karl Lueger; the tensions among German Austrians, Jews, and Czechs; the stimulating musical scene (thanks to composers such as Richard Wagner); and an art world busy exploring sexuality. In his years as a poor painter living in a men's hostel, Hitler absorbed all of this but did not publicly express anti-Semitic beliefs until he decided on a political career after the war. Hamann describes a man with a passion for music, the theater, and architecture but indifferent to literature and women. His excellent memory allowed him to store a grab bag of ideas and symbols, but these did not fall into place until much later. Rarely have so many fragments of absurdity been combined into so explosive and calamitous an ideology. Hamann must be congratulated on her critical and discriminating approach to her sources and the fascinating double story she tells.

Martyred Village: Commemorating the 1944 Massacre at Oradour-sur-Glane. BY SARAH BENNETT FARMER. Berkeley: University of California Press, 1999, 323 pp. $24.95.

An engrossing and thoughtful study of Oradour-sur-Glane, a village near Limoges, France, whose population was exterminated by a Waffen SS division on June 10, 1944. Focusing on the politics of commemoration, Farmer shows how the story of Oradour severed the tragedy from the context of resistance activities in the area to create a symbol of innocent martyrdom, leaving the eerie ruins untouched for visitors to explore. That decision fostered the message that every French person, regardless of political choice or wartime activity, had been at risk—a message that de Gaulle was eager to spread after the war. Farmer also highlights the 1953 trial of 21 SS soldiers who had participated in the massacre, 14 of whom were French draftees from Alsace. Facing rising tensions between Alsace and the Limousin region, the court handed down lenient penalties that were later wiped out by a national amnesty—much to the indignation of many Limousin citizens. Since then, a new town has been built nearby, but the restoration required for conservation of the site has undermined the ruins' authenticity. As Farmer concludes, every commemorative effort faces a severe test when witnesses are no longer around to sustain it.

The Holocaust in American Life. BY PETER NOVICK. Boston: Houghton Mifflin, 1999, 320 pp. $27.00.

Having written the best book on the postwar purges in France, Novick has now moved on to even more controversial terrain: Why has the Holocaust come so late to loom so large in public discourse, and why is this such a uniquely American phenomenon? He tackles taboos and slaughters sacred cows with a cool passion for proportion, perspective, and the truth. Novick punctures the charge of official (and Jewish) indifference during the war and finds no evidence to support the view that American Jews converted to Zionism out of guilt for their inaction. In the 1950s, he argues, Jewish organizations were

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reluctant to talk about the Holocaust because they wished to disassociate Jews from communists in the public mind at a time when only the American far left was focusing on the Holocaust. Talk about the subject became more open as support for Israel grew after the 1967 and 1973 wars in the Middle East, but it has only recently taken on a central role for American Jews. Its current centrality reflects a choice made by current American Jewish leaders, Novick writes, who are less concerned with integration into American society and more particularistic, religious, and Israel-oriented than their followers. Novick also defends Hannah Arendt's *Eichmann in Jerusalem* and chastises those who insist on the uniqueness of the Holocaust, thereby trivializing gross human rights violations that fall short of the Nazi standard of evil yet deserve collective action. Skeptical about the so-called lessons of history, he shows how difficult it is to derive simple lessons from the Holocaust. A courageous and thought-provoking book.

1939: The Alliance That Never Was and the Coming of World War II. BY MICHAEL JABARA CARLEY. Chicago: Ivan Dee, 1999, 381 pp. $20.95.

Using extensive Russian and Western archives, Carley tells the sad story of the British-French relationship with the Soviet Union in 1938–39. Refuting recent revisionist views, he argues that Neville Chamberlain was an appeaser whose anticommunism exceeded his distaste for Nazism, not a realist constrained by Britain's insufficient resources and imperial commitments. Carley finds few heroes, and the lucid and farsighted exceptions—such as Britain's Robert Vansittart and Winston Churchill, France's Edouard Herriot, and the Soviet Union's Maksim Litvinov—could not prevail against the momentum of appeasement. (Litvinov was undone by both the Stalinist purges and the British and French sellout of Czechoslovakia at Munich in 1938.) Interwar anticommunism was an important cause of World War II, aided by the fear of Anglo-French policymakers that a new world war would lead to communist revolution. It is in this perspective, argues Carley, that the 1939 Stalin-Hitler alliance has to be seen. This volume is as adept at leading the reader through that crucial period's diplomatic intricacies as it is at discerning the essentials.

Governing in Europe: Effective and Democratic. BY FRITZ WILHELM SCHARPF. New York: Oxford University Press, 1999, 252 pp. $55.00 (paper, $24.95).

One of the best studies of European integration in recent years. The director of the Max Planck Institute in Cologne, Germany, Scharpf shows how the European Commission and the European Court of Justice have helped free trade and capital movements ("negative integration") by extending the scope of competition law. But "positive integration"—the adoption of common policies—has encountered far less success, especially in social policy and taxation. States have thus lost much of their ability to solve problems, while Europe's effectiveness has not grown correspondingly. States are now finding their legitimacy questioned by citizens as they fail to tackle mass unemployment and poverty. In his investigation of possible solutions, Scharpf proposes a thorough reform of the current financing for the welfare state, especially

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through payroll taxes. Finally, he examines the possibilities of pan-European coordination of social policies, concluding that the European Union may not become a democratic polity but could still expand legal integration to enhance what Scharpf calls its "output legitimacy." A brilliant and concise analysis of extraordinarily complex issues.

Dark Continent: Europe's Twentieth Century. BY MARK MAZOWER. New York: Alfred A. Knopf, 1999, 512 pp. $30.00.

Mazower has written a timely book dissecting the notion of "Europe" just as the EU launches its single currency. For him, this century's brutal first half—with its bloody legacy of communism and fascism, world war, genocide, and ethnic cleansing—defined European identity as much as postwar liberal democracy did thereafter. He reminds the reader that many countries under the Third Reich's shadow initially drew considerable popular support for Hitler's agenda. Western Europe made the postwar transition to democracy thanks primarily to widespread war-weariness and the postwar economic boom, not an idealistic commitment to liberalism. In his account of these years, Mazower deftly weaves together strands of social, political, and economic thought, including a fascinating section on how Hitler grafted Europe's legacy of imperialism on to his own vision of pan-European domination. But the book loses steam in its second half, an unexceptional treatment of postwar Europe that is more straightforward narrative than analysis. Mazower offers little to explain the phenomenon of European integration; he meekly concludes that Europe should avoid trying to find a "single workable definition" of itself. Still, the book's provocative thesis merits attention from Europhiles and Euroskeptics alike.

HELEN FESSENDEN

Western Hemisphere

KENNETH MAXWELL

Free Markets, Open Societies, Closed Borders? Trends in International Migration and Immigration Policy in the Americas. EDITED BY MAX J. CASTRO. Coral Gables: North-South Center Press, 1999, 282 pp. $26.95 (paper).

A remarkable and original book. In the opening, distinguished Princeton sociologist Alejandro Portes frames the immigration debate by pointing out how minor a role the state actually plays in immigration flows. Other authors detail the resilience of migration over time, the relationship between migrants and labor in host countries, their social and political reception, and assimilation. The book expands its scope beyond U.S.-bound flows to look at immigration issues in Canada, Colombia, Venezuela, Central America, Cuba, Puerto Rico, and the Dominican Republic. The editor's conclusion investigates the U.S. backlash against Latin American immigration, culminating with California's Proposition 187 in 1994, which denied illegal immigrants government services, and welfare-reform legislation in 1996 that barred most legal immigrants from receiving public assistance. Yet he also emphasizes that the tide has recently turned: legislative attempts to slash legal immigration have failed, many government benefits have been restored to legal immigrants, and immigration

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issues have been recast as a multilateral hemispheric question. The integration of these new immigrants, he believes, will affect the western hemisphere in the next century as much as trade and cross-border investment.

What Kind of Democracy? What Kind of Market? Latin America in the Age of Neoliberalism. EDITED BY PHILIP D. OXHORN AND GRACIELA DUCATENZEILER. University Park: Pennsylvania State University Press, 1999, 232 pp. $45.00 (paper, $17.95).

An important corrective to studies that focus only on the politics and economics of neoliberal reform. In this insightful volume, the editors critically assess Latin America's political economy in the 1990s, arguing that the convergence of extreme poverty, income inequality, crime, and the growth of a gray market present a paradox. The authors pin some blame on neoliberal restructuring and urge greater citizen participation and social justice. This is not, however, an old-fashioned lament from the disenfranchised left. These authors are not naive about the complex relationship between economic reform and political regimes, and they do believe that most reform has been for the better. But they also warn that democracy remains shaky in the region—and that fiscal and monetary discipline, free trade, and a minimal role for the state have not always produced the expected results. They see the lack of governmental accountability as the greatest threat to social peace. If Latin American democracy remains unconsolidated, the authors fear, a shaky "illiberal democracy" could emerge in lieu of a better alternative.

Fault Lines of Democracy in Post-Transition Latin America. EDITED BY FELIPE AGUERO AND JEFFREY STARK. Coral Gables: North-South Center Press, 1998, 360 pp. $25.95 (paper).

In this comprehensive and insightful volume, leading scholars examine the problem of democratic governance in what they call "post-transition" Latin America. Seeking to break out of the extremes of blind optimism and deep pessimism, this book looks beyond the formal institutions to delineate the "fault lines" that weaken Latin American democracy: the lack of depth of electoral politics, weak political parties, declining support for political institutions, the uncertain consequences of television on politics, the violence and insecurity of everyday life, the absence of legal guarantees for many citizens, and the failure to fully subject the military to civilian authority. With some exceptions—notably Venezuela, Peru, and Paraguay—the authors do not expect these fault lines to produce a "big and final tremor that will take us back to the blatant authoritarianism of the miltary regimes of the past." But they do warn that much of the recent literature on democratic consolidation in Latin America has been naive at best and superficial at worst, ignoring the "depth, quality, and consistency" of Latin American democracy. A major contribution to the field.

The Brazil Reader: History, Culture, Politics. EDITED BY ROBERT M. LEVINE AND JOHN J. CROCITTI. Durham: Duke University Press, 1999, 576 pp. $64.95 (paper, $21.95).

A stellar collection of texts on Brazilian history and contemporary life. No ordinary

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reader, this volume goes below the surface to introduce an American audience to Brazil's complexities and diversity. As editor Levine points out, Brazil is Latin America's largest country but (unknown to most Americans) it is linguistically, culturally, and historically distinct from its Spanish-speaking neighbors. The selections range in subject from the colonial period to the present, including a close look at Getúlio Vargas, Levine's specialty. Vargas, who first came to power in a 1930 military coup and later served as a popularly elected president, profoundly influenced Brazil's politics and economics. Levine neatly captures the combination of populism, nationalism, oligarchic patrimonialism, propaganda, and social welfare that marked Vargas' rule. The book also gives popular culture and social history their due, including sections on rural and urban slum life, television personalities, and music. A fine section on race relations offers a lively autobiographical sketch by the late Leslie Rout, recounting his bittersweet experience as an African-American jazz musician and historian who confronted Brazil's myth of racial democracy—and found out the hard way that the Brazilian racial paradise was not all it was cracked up to be.

Intimate Ironies: Modernity and the Making of Middle-Class Lives in Brazil. BY BRIAN PHILIP OWENSBY. Stanford: Stanford University Press, 1999, 368 pp. $45.00.

Scholars of Latin America usually give its middle class short shrift. Here, Owensby breaks new ground by investigating its rise in Brazil. Scholars traditionally believed that the middle class was a key to modernization, replacing traditional mores of hierarchy, patronage, and status with individualism, merit, and egalitarianism—all essential values for a healthy capitalist democracy. Yet after the military regimes of the 1970s seized power with broad middle-class support, disappointed scholars shrugged the middle class off for three decades. Owensby now puts this segment back where it belongs by examining how the ambiguities of middle-class life defined modernity in Brazil. The problem for Brazilians, he argues, is that free-market notions of meritocracy and consumer culture coexisted with a disdain for manual labor and an acceptance of social hierarchy and patronage. Hence literate white-collar professionals, who were either white or light-skinned, saw themselves as a morally and racially superior class apart. At the polls, they swung between populism and a strong distrust of institutional politics. This indispensable book shows how much work is still needed to dissect the ambiguities of Latin American modernity.

Subnational Politics and Democratization in Mexico. EDITED BY WAYNE A. CORNELIUS, TODD A. EISENSTADT, AND JANE HINDLEY. La Jolla: Center for U.S.-Mexican Studies, 1999, 369 pp. $21.95 (paper).

This important book should be required reading for those in Washington and on Wall Street who will be nervously watching Mexico's presidential elections in July 2000. The volume's distinguished contributors examine the growing tension between Mexico's national transition to democracy and the resilience of authoritarian, anti-democratic pockets linked to the governing party, the PRI, in many regions. The authors pose fundamental questions about the

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future, making clear that reform precipitates a bitter struggle over political authority, financial resources, and the illegal spoils of power in a system permeated with corruption. The contradiction between the desire for administrative and fiscal decentralization and the fear of fortifying the power of local bosses poses a major dilemma for the central government, with no easy solution. Many of the challenges facing President Ernesto Zedillo's administration since the 1994 election should be seen in this light, Cornelius argues. A timely reminder of the complications and contradictory results that democratization of an authoritarian system can bring.

The United States and the Americas: A Twenty-First-Century View. EDITED BY ALBERT FISHLOW AND JAMES JONES. New York: W. W. Norton, 1999, 256 pp. $15.00 (paper).

This collection of succinct pieces by distinguished, establishment experts, compiled by the American Assembly, has recycled conventional wisdom into an elegant package and lays out the Washington consensus: the triumph of democracy, the necessity of free trade, and the need to expand markets, income, and educational opportunities to promote greater equity (social and financial equity, that is). The report concludes that U.S. and Latin American interests are finally converging but laments that Washington still ignores its southern neighbors. Alas, such good intentions rarely work. The authors underestimate the challenges to the current consensus, both in Latin America and in Washington. The consensus' optimistic agenda, such as its call for free trade, has run into major obstacles in Congress and receives only lukewarm support from the Clinton administration. The authors also downplay the fact that when bipartisan political will and hard work are needed for issues such as a fundamental rethinking of Cuba policy, special interests block it again and again. The historical reality is that Latin America repeatedly jumps to the top of a crowded U.S. policy agenda with surprising ferocity when it is least expected, and the wise consul of the regional experts so well represented in this book is rarely ever solicited—just remember the Iran-contra scandal, or the crises over the Cuban and Haitian boat people. Cuba policy, above all, remains mired in a Cold War mold that no one will break, but it too is doomed to crack open at some unpredictable moment and cause an unholy mess. Surprisingly, the volume also lacks a thorough discussion of capital flows, which is regrettable given the Clinton administration's huge bailouts to rescue Mexico and stave off financial meltdown in Brazil. Faced with the complexity of Washington policymaking and the messy array of special interests, one wonders just how usefully these op-ed-style directives apply to the real world.

Colonial Legacies: The Problem of Persistence in Latin American History. EDITED BY JEREMY ADELMAN. New York: Routledge, 1999, 318 pp. $75.00 (paper, $22.99).

War in the Andes, the Chiapas revolt in Mexico, Colonel Hugo Chavez's election to the Venezuelan presidency, and Brazil's financial turmoil are all excellent reasons to read this book. Adelman has assembled an impressive group of historians to address the issue of why Latin America's past looms

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so heavily in the present. The authors examine the complex, triangular ties between Europe, Africa, and the Americas, arguing that no single institution or dynamic determined the precise shape of transatlantic colonialism. Hence, the outcomes of colonialism were unpredictable and ran into different forms of opposition in the Americas. These two propositions influenced generations of historians and social scientists of Latin America as they grappled with the persistence of pessimism about the region's future. This collection deserves attention from both policymakers and scholars as Latin America once again is seen as having failed to democratize fully and establish the rule of law. Such pessimism needs to be tempered by a more sophisticated understanding of old traditions and their continued evolution in unexpected ways.

RIORDAN ROETT

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

Yeltsin's Russia: Myths and Reality. BY LILIA SHEVTSOVA. Washington: Carnegie Endowment for International Peace, 1999, 320 pp. $44.95 (paper, $19.95).

One comes away from this very thoughtful, intelligent account saddened and chastened—saddened that Russia has been so ill served by its politicians (including Yeltsin) and their short-sighted games for small-minded stakes, and chastened because the course of events has departed so much from what most observers, even Russia's sharpest critics, had expected. In terms of intellect and political contacts, no one is more qualified to explore this complex, unhappy evolution than Shevtsova. To be fair, she does not paint a simple picture of villains and missed opportunity. On the contrary, she fully respects the intricate forces at work in postindependence Russia that have pulled its politicians in various directions and left its people adrift. Nor is her portrait of Yeltsin a one-sided diatribe. Throughout the book and particularly in her masterful conclusion, she depicts a figure extraordinary both in his talents and his disabilities. His limited greatness, however, lies mostly in what he has saved Russia from, not in what he has done to secure the country's future. No Adenauer, no Mandela, and certainly no Jefferson is he.

The Political Lives of Dead Bodies: Reburial and Postsocialist Change. BY KATHERINE VERDERY. New York: Columbia University Press, 1999, 208 pp. $22.50.

Were Verdery not one of the premier anthropologists and specialists on eastern Europe, most readers might not take seriously a book that the author herself half-jokingly calls a study in political necrophilia. But this exploration of the reasons people dig up the bones of political heroes, martyrs, and foes and then parade them around or ceremoniously rebury them is entirely serious. Verdery not only reflects on the obvious instances, such as the battle over Lenin's waxy remains and the 1989 tour of Prince Lazar's 600-year-old bones to all the parts of Yugoslavia claimed by the Serbs. She examines in detail more subtle examples as well, such

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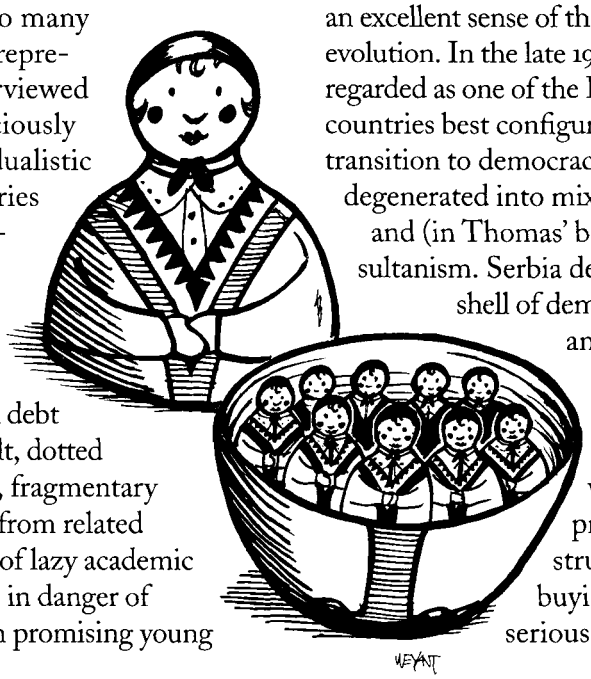
as the displaced skeleton of the eighteenth-century bishop Inochentie Micu, which was moved from Rome to Romania in 1997. Dead bodies, the author argues, serve as particularly powerful symbols stirred by psychological needs intensified in times of great upheaval, such as the postsocialist transition of the 1990s. In an extraordinarily ingenious exegesis, she shows how this phenomenon has helped recast national histories (albeit in ways that often substitute one abuse of the past with another), calm social disorientation in the face of tremendous change, and even wage battles over "property restitution, political pluralization, religious renewal, and national conflicts tied to building nation-states."

The Collective and the Individual in Russia. BY OLEG KHARKHORDIN. Berkeley: University of California Press, 1999, 336 pp. $50.00.

A young Berkeley Ph.D. from Russia, Kharkhordin starts with a puzzle: How could it be that so many new Russian entrepreneurs, when interviewed in 1992–93, consciously embraced individualistic ideals after centuries of Russian collectivist thought? He starts with a (mercifully brief) description of his intellectual debt to Michel Foucault, dotted with unexplained, fragmentary allusions to ideas from related thinkers—a kind of lazy academic insiders' discourse in danger of spreading through promising young foreign scholars to other countries. Fortunately, he then moves smartly and impressively into his subject. In a subtle reading of Soviet institutions, including the purge commissions of the 1930s, he shows how the system created a certain kind of individualism that stressed self-perfection. True, this process was bound by Stalinist values and came at an awful cost. It also excluded key features of its Western counterpart, the emphasis on autonomy and privacy. Ironically, the system ended by promoting warped versions of both, a point that Kharkhordin deftly argues.



The Politics of Serbia in the 1990s. BY ROBERT THOMAS. New York: Columbia University Press, 1999, 288 pp. $47.50 (paper, $18.50).

A highly informed account of politics in Serbia from 1987 to 1998. Thomas is long on detail, beginning with a virtual alphabet soup of names and organizations, and shorter on analysis, except for a very helpful conclusion. Still, the book gives the reader an excellent sense of the country's ill-fated evolution. In the late 1980s, Yugoslavia was regarded as one of the Eastern European countries best configured to make the transition to democracy—but it quickly degenerated into mixed authoritarianism and (in Thomas' borrowed phrase) sultanism. Serbia demonstrates how the shell of democratic institutions and the façade of contested politics are no match for skilled politicians who know how to preserve the old structures of power by buying off or repressing serious competitors and

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exploiting public fears and prejudices. One suspects that Thomas would not hold high expectations that Milošević's defeat in Kosovo will soon lead to the regime's demise—or that the alternatives to Milošević would be much better.

Ukraine and Russia: A Fraternal Rivalry. BY ANATOL LIEVEN. Washington: United States Institute of Peace Press, 1999, 182 pp. $19.95 (paper).

Ukrainian and Russian nationalists will not like this book, nor will Westerners who see Ukraine as a useful counterbalance to Russian expansionism. Lieven's two main arguments provide them little ammunition. First, he argues, because most Ukrainian Russians and Ukrainians are very close in culture, language, behavior, and attitudes after centuries of coexistence, the more untrammeled aspirations of both Russian and Ukrainian extremists do not sit well with them. The natural disposition is for an independent Ukraine, but one that is ethnically mixed and culturally tolerant. His second argument follows from the first: with both countries now genuinely separate but closely linked, it would be a grave mistake for outside powers to imagine—let alone insist—that Ukrainian independence must set Ukraine against Russia. Lieven recognizes the pitfalls in Ukrainian-Russian relations and writes lucidly about the many elements in play, including the shadow cast by the Ukrainian leadership's dismal economic performance. He also acknowledges that if the cruder variety of Russian nationalists actually come to power, they will likely jeopardize his own predictions. A very sensible book, enhanced by exceptionally graceful prose.

Middle East

L. CARL BROWN

Tortured Confessions: Prisons and Public Recantations in Modern Iran. BY ERVAND ABRAHAMIAN. Berkeley: University of California Press, 1999, 284 pp. $45.00 (paper, $16.95).

Abrahamian has often linked his studies on Iran to broader themes: witness his articles "The Crowd in Iranian History" or "The Paranoid Style in Iranian Politics." Here again, he places the Iranian case in a larger context by discussing the methods of imprisonment, torture, and (often) execution of political prisoners in Iran, first under the Pahlavis and then in the Islamic Republic since 1979. The Pahlavis were cruel enough, but only the Islamic Republic forcibly extracted public recantations—a practice that put it in a league with Europe's Inquisition, Stalin's Soviet Union, and Mao's China. Tortured confessions were routinely aired on television until the late 1980s, when public skepticism finally undercut their utility to the regime. The author has combed all available sources, including public and clandestine party tracts, official Iranian statements, and Amnesty International reports. He fuses judicious selections from prison memoirs with insightful comparisons to the prison-literature genre and a careful account of the ebb and flow of imprisonment and torture (the end of the Iran-Iraq War ushered in the worst period of executions since 1979). *Tortured Confessions* offers both the somber readability of a *Darkness at Noon* and the documented detail of an investigative report.

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Between Memory and Desire: The Middle East in a Troubled Age. BY R. STEPHEN HUMPHREYS. Berkeley: University of California Press, 1999, 314 pp. $29.95.

Humphreys has written ten interconnected essays that offer a sympathetic but sober appraisal of today's Middle East, a region he sees as beset by "economic stagnation, weakness in the international arena, political instability and ideological confusion." He employs his mastery of Middle Eastern history and Islamic institutions to provide nuanced accounts of such diverse subjects as military dictatorships, women in public life, and Islam and human rights. The book's comparisons and contrasts with the Western (especially American) experience help make his subject all the more accessible to Western readers. He also provides clear and accurate appraisals of Islamic law, its impact on society, and Islamic political thought. His chapter on "The Myth of the Middle East Madman," which covers Gamal Abdel Nasser, Saddam Hussein, and the Ayatollah Khomeini, seems overdrawn—but one could hardly find a better one-chapter treatment of his subject than his "Jihad and the Politics of Salvation."

Saudi Arabia and the Politics of Dissent. BY MAMOUN FANDY. New York: St. Martin's, 1999, 240 pp. $45.00.

Fandy surveys the range of religious and political opposition in Saudi Arabia in this study of the six most important Saudi dissident leaders. In addition to the well-known Usama bin Ladin, stripped of his Saudi citizenship and holed up in Afghanistan, Fandy discusses two religious sheikhs, Safar al-Hawali and Salman al-Auda, remembered for their sermons against Western domination during Desert Storm. His account also includes the expatriated dissidents Muhammad al-Mas'ari and Sa'd al-Faqih, who are now adding a cyberspace dimension to classic exile politics in London, and the Shiite leader Sheikh Hasan al-Saffar. Situating these six men in the context of Saudi politics, with its emphasis on family, tribe, and personal networking, Fandy concludes that these dissidents pose only a slight threat to the Saudi regime. They are either marginal figures from lesser tribes, not viewed as "true Saudis," or simply have less religious prestige than the leading establishment ulema. Hasan al-Saffar is even committed to change within the system. And the Saudi government, Fandy notes, has offered modest reforms providing somewhat more political representation.

All in the Family: Absolutism, Revolution, and Democratic Prospects in the Middle Eastern Monarchies. BY MICHAEL HERB. Albany: State University of New York Press, 1999, 352 pp. $75.50 (paper, $25.95).

Why have so many seemingly anachronistic monarchies survived in the Middle East? Herb's answer is that dynastic monarchies (which allow an extended family to rule) produce stability. Such regimes include those of Saudi Arabia, Kuwait, Qatar, Bahrain, the United Arab Emirates, and, to a lesser extent, Oman. Several monarchies in which the ruler barred family members from power are no longer around: Afghanistan, Egypt, Iran, Iraq, and Libya. Two others, Morocco and Jordan, lean toward dynasticism. This may sound too neat, but Herb does a fine job of scouring the record, producing sound summary history, and assessing other explanations for this phenomenon. He argues persuasively, for example, that the oft-cited

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"rentier state" justification for oil-rich states—states that do not tax their citizens can do without representative democracy—is faulty. The author does not argue that dynastic monarchy is either good or bad; it is just stable for now. Herb sees prudently liberalizing monarchies as the most promising future option, according the highest marks to Kuwait and the lowest to Bahrain.

America and Political Islam: Clash of Cultures or Clash of Interests? BY FAWAZ A. GERGES. New York: Cambridge University Press, 1999, 282 pp. $59.95 (paper, $18.95).

Gerges surveys the American encounter with Islamic politics since the Iranian Revolution startled the world 20 years ago. He brings together U.S. policy statements from the executive branch and Congress, the range of interpretations advanced by journalists and scholars, and interviews with (mostly anonymous) State Department and National Security Council officials. After discussing general questions like "Islam and Muslims in the mind of America," Gerges details the approaches of U.S. presidents from Carter to Clinton and offers case studies of U.S. policy toward Iran, Algeria, Egypt, and Turkey. U.S. officialdom, he finds, has been rhetorically accepting of political Islam (a few strident exceptions aside) but opposed in actual policy. Also addressed but not overplayed is the considerable convergence of pro-Israeli and anti-Islamist sentiment among American politicians and publicists. The general conclusions Gerges draws from his painstakingly, even repetitively, presented documentation are that the American-Iranian confrontation is the defining case and that American misperceptions about political Islam, although bad enough, have stopped short of demonization. It is, after all, more a clash of interests than of cultures.

Pan-Arabism Before Nasser: Egyptian Power Politics and the Palestine Question. BY MICHAEL DORAN. New York: Oxford University Press, 1999, 230 pp. $35.00.

Historians of the Arab-Israeli conflict have been fighting over 1948 with battlefield fervor. Such so-called new historians as Avi Shlaim and Benny Morris have been shattering cherished Israeli illusions; now Doran does something similar to the Egyptian side. This meaty, dense dissertation sorts out the riddle of what Cairo was up to in 1948 and debunks the received wisdom about pan-Arabism's origins as a bottom-up sociocultural movement forced on Egypt's elites. Why did King Faruq's regime dither so long as civil war raged within Britain's ill-fated Palestine Mandate, jump to the forefront of the Arab armies a mere four days before Ben-Gurion declared independence, and then cut and run to sign the first Arab armistice with Israel? Because, Doran argues, Cairo fought more to preserve its preeminent position in Arab politics than to destroy Israel. Prime Minister Mahmud Fahmi al-Nuqrashi embraced the anti-imperialism that would lead to Suez and the anti-Zionism that would ignite the Six Day War for *raison d'état:* Egyptian dominance meant driving out Britain, which meant frustrating its Hashimite proxies in Iraq and Jordan, which meant joining the wider Arab attack on infant Israel. Doran's lucid analysis and bristling detail make this an important contribution to the literature.

WARREN BASS

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Asia and the Pacific

LUCIAN W. PYE

China Joins the World: Progress and Prospects. EDITED BY ELIZABETH ECONOMY AND MICHEL OKSENBERG. New York: Council on Foreign Relations Press, 1999, 260 pp. $22.50 (paper).

The Paradox of China's Post-Mao Reforms. EDITED BY MERLE GOLDMAN AND RODERICK MACFARQUHAR. Cambridge: Harvard University Press, 1999, 448 pp. $55.00 (paper, $24.95).

These two symposium volumes seek to explain China from different perspectives—but as with the blind men and the elephant, they provide somewhat different pictures. *China Joins the World* focuses on China's international relations, asking what Western policies might induce China to become a constructive participant in international institutions and regimes. In general, the authors are optimistic about socializing China in this direction and see most Chinese officials as anxious to become effective international players. In contrast, the Goldman-MacFarquhar volume covers the more problematic questions of elite politics and the broad discontent unleashed by economic reforms. By confronting the problems fragmenting Chinese society, the authors present a less optimistic picture than Economy and Oksenberg, but their account also makes more understandable the xenophobic explosion after the NATO bombing of China's Belgrade embassy last spring.

In a strange way, the two books' differences mirror a peculiarity in U.S.-China relations. Both governments seem anxious to separate domestic developments from interstate relations. The authors in the Economy-Oksenberg volume hold out the hope that this is possible, but Goldman and MacFarquhar's authors provide considerable evidence that it is not.

Orphans of the Cold War: America and the Tibetan Struggle for Survival. BY JOHN KENNETH KNAUS. New York: PublicAffairs, 1999, 400 pp. $27.50.

From 1951 to 1974, the United States provided support to the Tibetan resistance, largely through the CIA. A CIA veteran and the key case officer for Tibet, Knaus tells in blow-by-blow detail the complex story of the operations, from the Colorado training of Tibetan fighters and the air drops of troops and weapons into Tibet to the U.S. support of the Dalai Lama in India and diplomatic maneuvers at the United Nations. Knaus is unsparing in his criticism of the CIA's mistakes. As one example, he cites the air drops that attracted flocks of Tibetans to the drop spots—but then tragically backfired after they inadvertently alerted the Chinese where to attack. His story makes it clear, however, that the CIA did not attempt to stir up a rebellion but supported an essentially Tibetan initiative. This moving account of the Tibetans' valiant efforts to resist the Chinese occupation captures the daring spirit of the early Cold War years and the mixture of idealism and crafty scheming that characterized American operations at the time. It also underscores the limited effectiveness of such covert operations.

The Sacred Willow: Four Generations in the Life of a Vietnamese Family. BY DUONG VAN MAI ELLIOTT. New York: Oxford University Press, 1999, 608 pp. $30.00.

In this vivid and personal account, Mai

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Elliott succeeds in bringing to life the social and political realities of modern Vietnam. Her great-grandfather was a Confucian mandarin-scholar in traditional Vietnam, her grandfather a high official under the French, and her father an official during the transition to independence in 1954. Her own generation of siblings and cousins experienced the agonies of the Vietnam War. Today, her once tightly knit family is scattered in America, France, Canada, Australia, and Vietnam. Now married to an American, Mai Elliott brilliantly captures the social and psychological strains of native officials under colonial rule as they sought the elusive goals of national identity and modernization. She is equally impressive in recounting the conflicting pressures that all Vietnamese had to endure in the last days of the war, when they had to accept the fact that the future lay with the communists.

Brother Number One: A Political Biography of Pol Pot, rev. ed. BY DAVID P. CHANDLER. Boulder: Westview Press, 1999, 264 pp. $16.00 (paper).

Why Vietnam Invaded Cambodia: Political Culture and the Causes of War. BY STEPHEN J. MORRIS. Stanford: Stanford University Press, 1999, 315 pp. $45.00 (paper, $16.95).

The story of modern Cambodia is so tragic that it takes moral resolve to read about it. It also raises some perplexing puzzles. How could the gentle Buddhist Cambodians become so violent? What kind of evil genius was Pol Pot, who presided over the slaughter of more than a million of his compatriots? In writing his book, Chandler explored every bit of evidence about Pol Pot and the Khmer Rouge, but the more evidence he uncovered, the more bland and ordinary the Cambodian leader became. No traumatic experiences, social or economic difficulties, or psychological problems explain Pol Pot's brutal actions; the author found accounts only of a mild-mannered, pleasant personality who was a normal but mediocre student. Born into a family with close connections to the royal palace, Pol Pot was randomly selected as one of the first hundred Cambodian students after World War II to study in France, where he never took any examinations or received a degree. What did set him apart was joining the French Communist Party, which gave him instant high status among the local communists when he returned to Cambodia. Pol Pot then spent seven years fighting enemies and rising to the top with purge after purge. Chandler concludes that this experience in Cambodia is probably what turned him into a vicious killer.

The paranoid atmosphere that enveloped the leaders of both the Cambodian and Vietnamese communist parties also dominates Morris' vivid analysis. His systematic study delves into the causes of the only extended war between two communist states, seeking to explain the seemingly irrational decision of weak Cambodia to attack the much stronger Vietnam and the equally irrational Vietnamese provocation of China. As the first Southeast Asian specialist to gain access to the recently opened Moscow files on the Indochinese Communist Party, Morris ably documents the paranoid style of thinking that characterized these Marxist-Leninist leaders. Given the mindset that Morris describes, the behavior of both Pol Pot and the leaders in Hanoi becomes more understandable, if not forgivable.

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Trans-Pacific Racisms and the U.S. Occupation of Japan. BY YUKIKO KOSHIRO. New York: Columbia University Press, 1999, 304 pp. $45.00 (paper, $18.50).

A bold exploration of the difficult subject of American and Japanese racist attitudes. During World War II, both sides engaged in blatant racist characterizations of the other. But with the American occupation, race largely vanished as an overt issue and took on more complicated and nuanced forms. The American military's antifraternization regulations suggested that they considered the Japanese inferior, but at the same time America's confidence that Japan could be turned into an effective democracy suggested that Washington believed that the Japanese could become the equals of Westerners. Koshiro analyzes with great delicacy the interplay between the two concepts of race and culture in U.S.-Japanese relations, tracing the strange history of the introduction of "race" into the new postwar Japanese constitution through Article 14, which prohibits discrimination because of "race, creed, sex, social status, or family origin." Although the author focuses on the war and the occupation period, he also touches on Japanese overseas emigration and mixed-race children in Japan. The trend of improving race relations was suddenly shaken by fresh American anti-Japanese sentiment in the 1980s over Japanese economic successes. Koshiro concludes by arguing that both sides can learn lessons from the occupation to end racism.

Africa

GAIL M. GERHART

Leave None to Tell the Story: Genocide in Rwanda. BY HUMAN RIGHTS WATCH. New York: Human Rights Watch, 1999, 771 pp. $35.00.

The definitive study to date of the 1994 Rwandan genocide, when more than half a million people died in a three-month campaign of politically orchestrated mass murder. Adding detail and perspective to accounts published soon after the events, this work by Rwanda historian Alison Des Forges offers new information on the warnings that preceded the genocide, the redistribution of the victims' property, the Hutus who tried to resist participation in the slaughter, and retaliation killings by the Tutsi-led Rwandan Patriotic Front (RPF). The study also lays bare the pathetic performance of the U.N. bureaucracy throughout the crisis. The business-as-usual attitude of the Security Council was relieved only by the perception of four nonpermanent members (the Czech Republic, Spain, Argentina, and New Zealand) that a disaster was occurring. France, Belgium, and the United States, who could have headed off the disaster through forceful U.N. diplomacy, shirked all responsibility. France went so far as to furtively support the genocidal regime in the hope of forestalling a takeover by the anglophone RPF. Even for those inured to the multiple forms of human perversity, this is a sickening tale.

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The Sudan: Contested National Identities. BY ANN MOSELY LESCH. Bloomington: Indiana University Press, 1999, 336 pp. $39.95 (paper, $19.95).

This highly informative work digs into the intricate history of Sudanese politics. Lesch brings a welcome clarity to Sudan's tangle of political, ethnic, and religious problems by concentrating on the country's central dilemma: the inability of its leaders to negotiate a common definition of nationhood. She follows this theme through the postindependence years, tracing the ebb and flow of the country's civil war against the background of party and factional alignments. These divisions reflect varying visions of Sudan as a secular, pluralistic democracy versus a culturally homogeneous nation that erases minority identities in favor of a hegemonic Arab-Islamic nationalism. This conceptual framework, which Sudanese scholar Francis M. Deng has also elaborated, provides a fundamental orientation that other works could incorporate to their benefit.

Crippled Giant: Nigeria Since Independence. BY EGHOSA E. OSAGHAE. Bloomington: Indiana University Press, 1998, 368 pp. $39.95 (paper, $18.95).

Osaghae, an academic with a refreshingly neutral and understated approach to the maddening follies of his government, has produced a highly readable overview of Nigeria's politics, economy, and foreign relations. Rich in detail, his account is also a useful tour of earlier thematic treatments of the subject. Like other analysts, he finds the roots of Nigeria's ungovernability in the decisions of colonial officials to force essentially incompatible groups together under essentially unworkable systems of rule. He acknowledges the social and cultural factors that seem to thwart all efforts to coax Nigerian elites to play by Western-style rules of the game. His emphasis, however, falls on external causes of instability and economic failure that he believes other scholars have neglected: the unpredictability of the oil market, the crippling effects of debt, and the punitive approach of foreign lenders. He sees a glimmer of hope in the emergence of civil society as an effective political force in the 1990s, despite its lack of cohesion due to ethnic, regional, and religious factors.

Our Continent, Our Future: African Perspectives on Structural Adjustment. BY THANDIKA MKANDAWIRE AND CHARLES C. SOLUDO. Trenton: Africa World Press, 1999, 176 pp. $21.95 (paper).

This balanced and wide-ranging review of Africa's economic crisis draws lessons from two decades of failed World Bank–imposed structural adjustment programs (SAPs). The authors call for Africans to reclaim leadership over their own development, arguing that in their determination to get governments "out of the way," SAPs neglected the essential government function of managing development. Instead, foreign "experts" moved in, institutional capacity declined, and civil services collapsed. In addition, SAPs grossly underestimated the complexity of agricultural and industrial development under African conditions and treated deepening poverty as a secondary issue. Today, putting African economic policymaking back on track and fostering democratic political reform are huge tasks that Africans must tackle. But their wealth of experience is now a resource that could make progress possible, provided it is coupled with the cancellation

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of foreign debts. A valuable primer on current development debates.

The Criminalization of the State in Africa. BY JEAN-FRANÇOIS BAYART, STEPHEN ELLIS, AND BEATRICE HIBOU. Bloomington: Indiana University Press, 1999, 192 pp. $39.95 (paper, $18.95).

Long on sweeping assertions and short on corroborating data, this set of rather polemical essays draws attention to what the authors believe is the slide of sub-Saharan governments toward illegal economic activities. They claim that these activities, shaped by pressures of globalization and the new self-enrichment strategies encouraged by structural adjustment, go beyond ordinary corruption. Indeed, they bring African states into contact with international crime syndicates dealing in drugs, money laundering, and smuggling of every description. In a provocative but highly speculative way, Bayart explores the social roots of illicit trade and plunder in Africa's past; Ellis reviews the record of lawlessness among apartheid's law-enforcement personnel; and Hibou generalizes about the continent's supposed economic and moral meltdown. How many of Africa's four dozen governments are today run by shadowy forces linked to international crime? Probably three, the authors estimate (Comoros, Seychelles, and Equatorial Guinea), but they name another dozen that exhibit tendencies in this direction. They may be on to something, but readers who want to be persuaded will need to go beyond this book.

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Letters to the Editor

Henry A. Kissinger and Philip Zelikow reach détente; Donald Blinken stands up for Hungary; and others

FOR THE RECORD

To the Editor:

Henry A. Kissinger wrote a letter in the July/August 1999 issue challenging the factual basis of some assertions in Philip Zelikow's review of *Years of Renewal* ("The Statesman in Winter," May/June 1999). We have corresponded privately on this matter and agree on the following:

Kissinger's reply was based on an interpretation of Zelikow's review as implying that Kissinger taped all his official conversations. Zelikow has assured Kissinger that this was not his intention. Kissinger accepts that assurance and withdraws his challenge to Zelikow's veracity.

On this basis, we both welcome the opportunity to assure the reader that, first, all conversations of Kissinger, except telephone conversations, were recorded by visible notetakers and embodied in memoranda of conversations deposited in official files. Second, telephone conversations were taped and transcribed, after which the tapes were destroyed. Transcripts of telephone conversations are being reviewed by State Department historians and will, after private conversations have been deleted, become part of the State Department's files.

For his part, Zelikow wishes to add that Kissinger's meticulous record-keeping of his tenure in office is an extraordinary legacy that will be of great benefit to present and future generations of scholars.

HENRY A. KISSINGER

Secretary of State in the Nixon and Ford administrations and National Security Adviser to President Nixon

PHILIP ZELIKOW

Director, Miller Center of Public Affairs and White Burkett Miller Professor of History, University of Virginia

To the Editor:

It was amusing to read Philip Zelikow's criticism of Henry A. Kissinger for allegedly not citing important sources that document his memoirs and Kissinger's severe reply. Compare this to Zelikow's own methods in the excellent book he co-authored with Condoleezza Rice, *Germany Unified and Europe Transformed*: "Most of the American records we have cited remain classified and unavailable to the public. We were able to cite them because the citations themselves revealed no secrets.... Scholars will not be able to check some of our uses. ... They must, for a time, take on faith that we have used our evidence properly."

We are also told that the book originated as an "internal historical study" and that the authors received "unlimited access." Obviously, no outside scholar could match this advantage; unlike the case of *Years of Renewal*, the reader is left

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with recourse only to "faith" in the authors. Zelikow has been rather harder on Kissinger than he was on himself.

HARVEY SICHERMAN
President, Foreign Policy Research Institute

HUNGARY HEART

To the Editor:

Peter W. Rodman correctly notes that "NATO's most recent new members, especially Hungary, were hesitant in participating in the Kosovo war for a variety of reasons." But he draws precisely the wrong conclusion by calling their reactions "hardly a great advertisement for further enlargement" ("The Fallout from Kosovo," July/August 1999).

Hungary could not have been expected to rejoice over the launching of the campaign against Serbia just two weeks after it became a NATO member. As Rodman well knows, the presence of 350,000 ethnic Hungarians in the Serbian province of Vojvodina, not to mention Hungary's common border with Serbia, would understandably give any NATO member—old or new—pause.

But Hungary bit the bullet. It stopped a Russian convoy bringing military supplies to Belgrade, enforced its air rights vis-à-vis Russian transport overflights, and, most gamely, turned over the IFOR base at Taszar to U.S. and NATO fighter aircraft.

In short, Hungary placed its NATO membership obligations before its understandable security concerns—a performance that shames the conduct of some long-time NATO states. NATO enlargement paid off immediately and tangibly. Rodman was right the first time around in championing NATO expansion.

DONALD BLINKEN
U.S. Ambassador to Hungary, 1994–97

NO REST FOR THE WAR-WEARY

To the Editor:

Edward N. Luttwak is mistaken in his belief that war "can resolve political conflicts and lead to peace . . . when all belligerents become exhausted or when one wins decisively" ("Give War a Chance," July/August 1999). Large-scale studies of the "war weariness" hypothesis flatly disagree, and Luttwak offers no evidence of his own. Even in the two regions that are the focus of his essay, the Middle East and the Balkans, the historical record contradicts him.

In the Middle East, Israel finally achieved a "decisive" victory over its Arab rivals in the Six Day War of 1967. Egypt was exhausted and demoralized, but it rebuilt its army and, with Syria, launched another war just six years later. Thanks to the intervention of the superpowers, the October 1973 war ended in a cease-fire before the combatants were wearied, but the indecisive outcome opened the door to the negotiations that led to an Israeli-Egyptian peace treaty.

Balkan history in this century is no more supportive of Luttwak's premise. The First Balkan War of 1912, which led to the decisive defeat of the Ottoman Empire, produced an almost immediate falling-out among the victors. Serbia and Greece joined the Ottoman Empire to attack Bulgaria in the Second Balkan War of 1913, which preceded the Balkan crisis that triggered World War I. The decisive defeat of an exhausted Germany in World War I did not prevent it from precipitating World War II in Europe.

Perhaps Luttwak is thinking of the outcome of World War II. But the atrocities committed by Croatians against Serbians during that war provided the rationale for

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the ferocity of Slobodan Milošević's Yugoslavian wars. Violence begets violence, and the greater the violence, the stronger the desire for retribution.

RUSSELL J. LENG

James Jermain Professor of Political Economy and International Law, Middlebury College

PROCURE-ALL

To the Editor:

John Hillen rightly notes that military procurement should take account of likely future missions and requires joint planning ("Defense's Death Spiral," July/August 1999). But he gives short shrift to an unchanged core of American security interests: repelling land aggression in Asia, Europe, and the Middle East—a mission that requires some of the old heavy equipment that Hillen derides.

Smarter procurement will give U.S. forces more flexibility in peacekeeping and limited conflicts. For example, tracked armor cannot be used in foreign cities because it tears up the roads, yet Washington has only recently commissioned a wheeled armor vehicle to supplement the Bradley and Abrams tanks. A shorter logistics tail for self-sustaining army field units would suit the light security function U.S. troops are often called on to perform.

America has not managed to coordinate airlift and armor (a C-5A, for instance, can deliver only one Abrams tank), nor has it matched the bulk of new armor to the load capacity of future aircraft. It also has not thought about where to develop seaports and airports for security deployments in the next 40 years; the armed forces would be humiliated by a "deployment-time" map showing how few areas they can reach quickly. U.S. votes on World Bank projects should take account of security needs.

"The Building"—as the Pentagon is affectionately known in Washington—can outlast most secretaries of defense and certainly most undersecretaries for policy. Although military planners are very effective, the president also needs to analyze and untangle the procurement puzzle. Part of the National Security Council should be available to provide second opinions on long-term procurement strategy.

RUTH WEDGWOOD

Stockton Professor of International Law, U.S. Naval War College, Professor of Law, Yale University, and Senior Fellow, International Organizations and Law, Council on Foreign Relations

ADDENDUM

Joseph S. Nye, Jr.'s essay, "Redefining the National Interest" (July/August 1999) was based on his Hans Morgenthau Memorial Lecture, delivered April 14, 1999.

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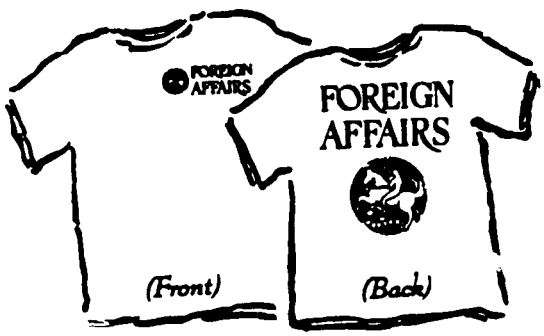

b

T-SHIRT.
White, 100% heavyweight cotton. FA logo prominent on front & back. Perfect for laid back weekends.
$14.95

c

POLO SHIRT. Great quality! 100% cotton pique with fully stitched logo in a variety of colors: Jet Black/Crimson lettering, Navy/Crimson lettering, BoneWhite/Navy lettering. **$34.95**

ORDER FORM

Please make check or money order in U.S. dollars (from U.S. banks only) to:
FOREIGN AFFAIRS Merchandise, 58 E. 68th Street, New York, NY 10021

Name .....

Address .....

City ..... State ..... Zip .....

Item	Qty.	Size/Color	Amount

T-shirt, sweatshirt, and poloshirt sizes Large and Extra Large only.

Shipping & Handling per item - $3.95 dom, $5.95 int'l

GRAND TOTAL $ _____

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